

**CASE**

**NUMBER:**

99-285

HISTORY INDEX FOR CASE: 1999-285  
COVERED BRIDGE UTILITIES, INC.  
Rates - ARF

IN THE MATTER OF THE ALTERNATIVE RATE FILING OF COVERED  
BRIDGE UTILITIES, INC.

| SEQ<br>NBR | ENTRY<br>DATE | REMARKS   |
|------------|---------------|---|
| 0001       | 06/30/1999    | Application.  |
| 0002       | 07/02/1999    | Acknowledgement letter.   |
| M0001      | 07/06/1999    | PAUL ARENA CITIZEN-LETTER OF CONCERN TO RATE INCREASE                                       |
| M0002      | 07/07/1999    | FRED HORNEFFER BANK ONE-REQUEST FOR INTERVENTION IN CASE                                    |
| 0003       | 07/09/1999    | No deficiency letter.   |
| 0004       | 07/13/1999    | Response sent to Paul Arena letter of concern.  |
| M0003      | 07/13/1999    | DONALD & SUSAN ROENIGK CITIZENS-MOTION FOR RATE INCREASE TO BE DENIED                       |
| M0004      | 07/13/1999    | SHERMAN MOORE COVERED BRIDGE UTILITIE-CERTIFICATE OF SERVICE & SUPPLEMENTAL INFO            |
| M0005      | 07/15/1999    | C&L BUILDERS GLENNA CURRY-MOTION FOR FULL INTERVENTION                                      |
| 0005       | 07/19/1999    | Response sent to Donald and Susan Roenigk letter of concern.                                |
| M0006      | 07/19/1999    | BOB & PENNY WYLLIE/CUSTOMERS-PROTEST OF SEWER RATES INCREASE                                |
| M0007      | 07/19/1999    | SHERMAN C. BEDFORD, JR.-PRESIDENT OF HOMEOWNER'S ASSOCIATION/OPOSE RATE INCREASE            |
| M0008      | 07/19/1999    | KAREN M. KUESHNER/CUSTOMER-REQUEST FOR INTERVENTION/OPOSITION OF RATE INCREASE              |
| M0009      | 07/19/1999    | GARY & KIRSTEN HOLDEN/CUSTOMERS-PROTEST RATE INCREASE                                       |
| M0010      | 07/21/1999    | GERALD BROWN CITIZEN-REQUEST FOR INTERVENTION   |
| 0006       | 07/22/1999    | Reply sent to Gary & Kirsten Holden letter of concern to rates.                             |
| 0007       | 07/22/1999    | Reply sent to Sherman Bedford of Covered Bridge Homeowner's letter of concern.              |
| 0008       | 07/22/1999    | Response sent to Robert & Penny Wyllie letter of concern to rates.                          |
| M0011      | 07/23/1999    | FRNAK SIMPSON COVERED BRIDGE HOMEOWN-MOTION TO INTERVENE                                    |
| 0009       | 08/02/1999    | Order gr. motions of Horneffer, C & L Builders, Roenigk, etc., to intervene.                |
| M0012      | 08/02/1999    | JAMES F. SHIELDS CITIZEN-LETTER IN OPPOSITION TO RATE INCREASE                              |
| M0013      | 08/04/1999    | ROBERT MOORE COVERED BRIDGE UTILITIE-FILING OF WRITTEN STATEMENT                            |
| M0014      | 08/13/1999    | AG DAVID SPENARD-MOTION TO INTERVENE  |
| 0010       | 08/19/1999    | Order granting motion to intervene of Attorney General.                                     |
| 0011       | 08/25/1999    | Order setting forth the procedural schedule to be followed in this case.                    |
| 0012       | 09/07/1999    | IC memo sent to parties; comments, if any, due 9/15/99.                                     |
| M0015      | 09/08/1999    | COUNTRYSIDE HOMEOWNERS ASSOC-MOTION TO INTERVENE  |
| 0013       | 09/13/1999    | Interest & Concern response to James Shields; req. to intervene may be filed.               |
| M0016      | 09/22/1999    | ROBERT MOORE COVERED BRIDGE UTILITIE-RESPONSE IN OPPOSITION TO MOTION FOR FULL INTERVENTION |
| M0017      | 09/22/1999    | ROBERT MOORE COVERED BRIDGE UTILITES-APPLICATION FOR RATE ADJUSTMENT BE AMENDED TO REQUEST  |
| 0014       | 10/08/1999    | Order setting forth a revised procedural schedule to be followed.                           |
| 0015       | 10/08/1999    | Order granting motion of Countryside Homeowners' Assn. to intervene.                        |
| 0016       | 11/17/1999    | Commission Staff's notice of filing of report on findings & recommendations.                |
| M0018      | 12/08/1999    | GLENNA CURRY C&L-OBJECTIONS TO FINDINGS & RECOMMENDATIONS OF STAFF REPORT                   |
| M0021      | 12/09/1999    | ROBERT MOORE COVERED BRIDGE INC-MOTION TO STAY FURTHER PROCEEDINGS                          |
| M0019      | 12/10/1999    | JEFFERY KIBBEY COUNTYSIDE HOMEOWNERS-REPNSE TO STAFF REPORT                                 |
| M0020      | 12/10/1999    | COVERED BRIDGE FARM HOMEOWNERS-COMMENTS ON STAFF REPORT BY INTERVENOR                       |
| 0017       | 01/20/2000    | Order granting Motion to Stay Further Proceedings   |
| M0022      | 02/15/2000    | FRANK SIMPSON COVERED BRIDGE UTILIES-MOTION FOR SUBSTITUTION OF COUNSEL                     |
| M0023      | 04/03/2000    | ROBERT MOORE COVERED BRIDGE UTILITIE-MOTION TO DISMISS PROCEEDINGS                          |
| 0018       | 04/14/2000    | Final Order dismissing application.   |

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

COVERED BRIDGE UTILITIES, INC. ) 99-285

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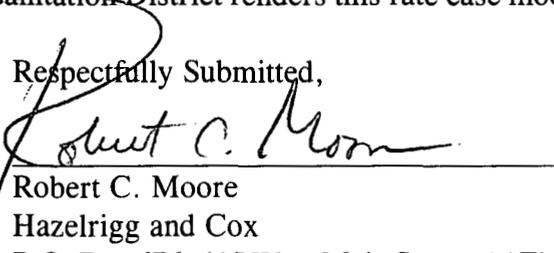
MAR 31 2000

PUBLIC SERVICE  
COMMISSION

MOTION TO DISMISS PROCEEDINGS

Comes Covered Bridge Utilities, Inc. ("Covered Bridge"), by counsel, and hereby moves the Public Service Commission to dismiss the above styled proceeding on the basis that the Oldham County Sanitation District purchased the Covered Bridge Wastewater Treatment Plant from the Applicant on March 30, 2000. The transfer of the Covered Bridge Wastewater Treatment Plant to the Oldham County Sanitation District was approved by Order of the Public Service Commission entered in Case Number 99-496 on March 13, 2000. The Sale of the wastewater treatment plant to the Oldham County Sanitation District renders this rate case moot.

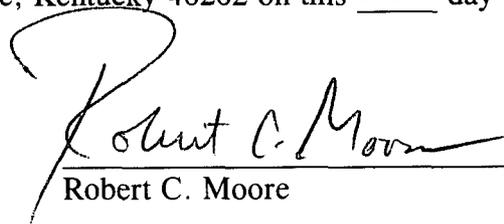
Respectfully Submitted,

  
Robert C. Moore  
Hazelrigg and Cox  
P.O. Box 676, 415 West Main Street, 1<sup>st</sup> Floor  
Frankfort, Kentucky 40602-0676  
Attorney for Covered Bridge Utilities, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by first class mail, postage prepaid, on Mr. Fred T. Horneffer, P.O. Box 32500, Louisville, Kentucky 40232-2500, Frank G. Simpson, III, Simpson Law Offices, Suite 102, 11414 Main Street, Middletown, Kentucky 40243, Jeffrey W. Kibbey, 121 South Seventh Street, Suite 100, Louisville, Kentucky,

40202, Mr. Donald Roenigk and Ms. Susan Roenigk, 3803 Deer Lake Circle, Prospect, Kentucky 40059, Ms. Karen M. Kueshner, 13507 Hunters View Court, Prospect, Kentucky 40059, Mr. Gerald Berman, 12024 Charlock Court, Prospect, Kentucky 40059, Mr. David E. Spenard, Assistant Attorney General, 1024 Capital Center Drive, Frankfort, Kentucky 40601-8204, Mr. Gerald Wuetcher, Public Service Commission, 730 Schenkel Lane, P.O. Box 615, Frankfort, Kentucky 40602, Glenna Jo Curry, 206 West Jefferson Street, Suite #1, La Grange, Kentucky 40031 and Edward Schoenbaechler, Hall, Render, Killion, Heath & Lyman, AEGON Center, Suite 1530, 400 West Market Street, Louisville, Kentucky 40202 on this 31st day of March, 2000.

  
Robert C. Moore

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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DEC 1 0 1999  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF COVERED BRIDGE )  
UTILITIES, INC. FOR A RATE ADJUSTMENT )  
PURSUANT TO THE ALTERNATIVE RATE FILING ) NO. 99-285  
PROCEDURE FOR SMALL UTILITIES )

.....  
**COMMENTS ON STAFF REPORT BY INTERVENOR  
COVERED BRIDGE FARMS HOMEOWNERS ASSOCIATION,  
THE MEADOWS AT COVERED BRIDGE HOMEOWNERS ASSOCIATION,  
AND THE ESTATES OF HUNTING CREEK SECTION 7 HOMEOWNERS  
ASSOCIATION**

Comes Covered Bridge Farms Homeowners Association, The Meadows at Covered Bridge Farms Homeowners Association, and the Estates of Hunting Creek Section 7 Homeowners Association (hereinafter "The Associations") by counsel, and files this, their comments upon the staff report of the Public Service Commission in the above action.

Initially, The Associations do not waive their right to raise any issue at the hearing of this action which presents itself from any discovery that takes place pursuant to the previous orders of the Commission.

The Associations contest the allocation recommendations set forth in Attachment E to the Report. The allocation of required revenue between Covered Bridge and Hayfield fails to allocate expenses on an equitable single family residential unit basis. Covered Bridge alleges that it directly receives effluent from 141 single family residential

units. It is believed Hayfield represents 150 single family residential units. Hayfield itself is neither an industrial nor commercial generator of effluent to be treated. Instead, it simply provides the conduit from the 150 single family residential units to the plant for the treatment of effluent. Accordingly, expenses should be allocated among the 291 single family residential units, setting a residential unit cost of \$32 a month. Hayfield's proper rate would be \$4800.00 a month.

The Associations also contest the depreciation expense absent the ability to review actual costs of the described facilities. Further specific objections are reserved pending the completion of pre-hearing discovery.

Respectfully submitted,



Frank G. Simpson, III  
Simpson Law Office  
Suite 102  
11414 Old Shelbyville Road  
Louisville, Kentucky 40243  
(502) 329-0265

#### **Certificate of Service**

This is to certify that a copy of the foregoing was sent via US first-class mail, postage prepaid to the following on this 8th day of December, 1999.

Mr. Gerald E. Wuetcher  
Counsel for Commission Staff  
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Frankfort, Kentucky 40602-0615

Mr. Robert C. Moore, Esq.  
Hazelrigg and Cox  
PO Box 676  
Frankfort, Kentucky 40602-0676

Ms. Glenna J. Curry, Esq.  
1900 East Mt. Zion Road  
Crestwood, Kentucky 40014

Ms. Karen M. Kueshner  
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Prospect, Kentucky 40059

Mr. David E. Spenard, Esq.  
Assistant Attorney General  
1024 Capital Center Drive  
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Covered Bridge Utilites, Inc.  
136 St. Matthews Avenue  
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Louisville, Kentucky 40207

Mr. Fred T. Horneffer  
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Mr. Donald Roenigk  
Ms. Susan Roenigk  
3803 Deer Lake Circle  
Prospect, Kentucky 40059

Mr. Gerald Berman  
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Prospect, Kentucky 40059

Mr. Jeffrey W. Kibbey, Esq.  
121 S. Seventh Street  
Suite 100  
Louisville, Kentucky 40202

  
\_\_\_\_\_  
Frank G. Simpson III

JEFFREY W. KIBBEY  
ATTORNEY AT LAW  
121 S. SEVENTH, STE. 100  
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TELEPHONE (502) 584-5955  
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COMMISSION

December 9, 1999

Hon. Helen C. Helton  
Executive Director, Public Service Comm'n.  
730 Schenkel Lane  
P. O. Box 615  
Frankfort, KY 40602

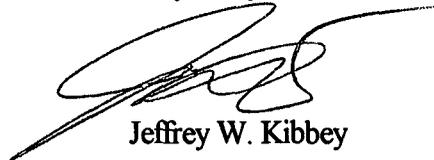
RE: Case No. 99-285  
Covered Bridge Utilities, Inc.

Dear Ms. Helton:

Please find enclosed an original and four copies of the Response to Staff Report by Intervenor Countryside Homeowner's Association, for filing into the record of this matter. Please contact me if you require further information or documents.

As always, thank you for your assistance in this matter.

Very Truly Yours,



Jeffrey W. Kibbey

CC: Countryside Homeowner's Assoc.

BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

IN RE: APPLICATION BY COVERED BRIDGE )  
UTILITIES, INC. FOR RATE ADJUSTMENT )  
PURSUANT TO 807 KAR 5:076 )

NO. 99-285

RESPONSE TO STAFF REPORT  
BY INTERVENOR COUNTRYSIDE HOMEOWNER'S ASSOCIATION

Comes Countryside Homeowner's Association (hereinafter referred to as "Countryside"), by counsel, and pursuant to the Order of the Commission Order of October 8, 1999, respectfully submits its Response to the Staff Report filed herein on November 17, 1999 as follows:

1. **Reservation of Rights.** Countryside reserves the right to raise any issue at trial that presents itself through discovery that may occur, and to supplement this Response accordingly.
2. **Interest Expense.** The Staff Report recommended allowing Covered Bridge Utilities, Inc. (the "Utility") an amount of \$16,000.00 for interest expenses on loans approved in Case No. 93-275. At the time such loans were approved and obtained by the Utility, Hayfield Utilities, Inc. ("Hayfield") was not a commercial customer of Covered Bridge, nor did Hayfield or Countryside have standing to intervene in Case No. 93-275 for the purpose of investigating the matter. Accordingly, the allocation of costs to Hayfield should not include any portion of the \$16,000.00 interest expense, as those loans affect prior operations of the Utility for which Hayfield is not responsible; are expenses of the Utility incurred prior to the time Hayfield was a customer and therefore not properly levied against Hayfield; and would otherwise be costs levied upon Hayfield without due process.

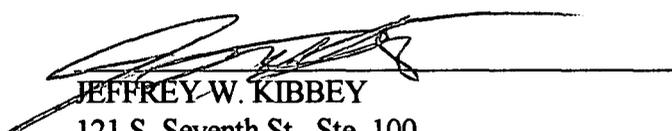
3. **Sludge Hauling.** The staff has recommended allocation of \$5,559 to Countryside for sludge hauling. During the test period, Hayfield Utilities, Inc. paid to its contractors extraordinary sums for sludge pumping (see attached Answer to Interrogatory #4 provided by Hayfield in Oldham Circuit Court Case No. 99-CI-00256). Because discovery is not complete, and because discovery in the Oldham Circuit Court is not complete, there is no way to determine whether the sludge hauling costs alleged by Covered Bridge are the same costs alleged by Hayfield in the Oldham Circuit Court Action. In support of this argument, Countryside notes that the transactions between Covered Bridge and Hayfield are less than arms-length transactions, as Covered Bridge and Hayfield share office space; are owned by closely-related family members; and employ substantially the same individuals and entities in their respective courses of business.

4. **Increase from Costs Requested.** In its application, the Utility requested it be allowed to charge the sum of \$3,500.00 per month to Hayfield for services rendered to Hayfield. The Staff Report has suggested that amount be increased to \$3,649.04 per month, based upon the allocation factors listed in Attachment E of the Staff Report. While Countryside applauds the finely detailed analysis of the Commission's staff and acknowledges the laborious difficulties presented to the staff in this case, Countryside suggests that the \$3,500.00 amount should not be increased beyond the amount requested by the Utility.

5. **Allocation Factors.** The Staff Report suggests that certain costs (entries for Labor Costs, Insurance, and Routine Maintenance, and Maintenance of Other Facilities) should be allocated to Hayfield on a 50/50 (per customer) basis, and that all other costs be allocated to Hayfield on a 55/45 (per gallon) basis. Countryside maintains that all costs attributed to Hayfield should be allocated on a 55/45 (per gallon) allocation. The Staff Report has carefully allocated certain costs based upon the amount of Hayfield waste actually treated by the Utility. Since it is possible to measure the amount of

Hayfield waste actually treated by the Utility, it follows that all costs, not just some, can be fairly and equitably divided between the residential customers and Hayfield. Countryside fails to see any reason to distinguish between the allocation of chemical costs, for example, from the allocation of maintenance costs, because the amount of maintenance on systems is directly affected by the amount of waste actually treated – just as the amount of chemicals used in treatment is directly affected by the amount of waste actually treated. Accordingly, the recommendation to allocate some costs on a 50/50 basis and allocate others on a 55/45 basis does not bear a rational relationship to actual cost of treating Hayfield waste, and all costs attributed to treatment of Hayfield waste should be allocated on a 55/45 basis.

RESPECTFULLY SUBMITTED this 9<sup>th</sup> day of December, 1999.



JEFFREY W. KIBBEY

121 S. Seventh St., Ste. 100

Louisville, KY 40202

(502) 584 - 5955

(502) 581 - 1203 (Fax)

Attorney for Countryside Homeowner's Assoc.

**CERTIFICATE OF SERVICE**

I hereby certify that a correct copy of the foregoing was mailed this 9<sup>th</sup> day of December, 1999 to the following persons at their respective addresses, via first class mail, postage pre-paid.

  
JEFFREY W. KIBBEY

Mr. Martin G. Cogan  
Covered Bridge Utilities, Inc.  
136 St. Matthews Ave., Ste. 300  
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Ms. Karen M. Kueshner  
13507 Hunter's View Court  
Prospect, KY 40059

Mr. Robert C. Moore  
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Mr. David E. Spenard  
Assistant Attorney General  
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Frankfort, KY 40601-8204

Ms. Glenna Jo (Jody) Curry  
1900 East Mt. Zion Road  
Crestwood, KY 40014

Mr. Gerald E. Wuetcher  
P. O. Box 615  
Frankfort, KY 40602-0615

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

COVERED BRIDGE UTILITIES, INC. ) 99-285

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PUBLIC SERVICE  
COMMISSION

MOTION TO STAY FURTHER PROCEEDINGS

Comes Covered Bridge Utilities, Inc. ("Covered Bridge"), by counsel, and hereby moves the Public Service Commission to stay and hold in abeyance any further proceedings in the above styled Application for Rate Adjustment filed by Covered Bridge. Covered Bridge has entered into a Purchase Agreement with the Oldham County Sanitation District ("OCSD") whereby it will convey, subject to the approval of the Public Service Commission pursuant to KRS 278.020, the Covered Bridge Wastewater Treatment Plant ("WWTP") and its collection system to the OCSD. The Purchase Agreement provides that the Covered Bridge WWTP and collection system are to be conveyed to the OCSD on January 1, 2000. In the event the sale is approved, the issue of the rate to be charged by Covered Bridge will become moot, as the Covered Bridge WWTP and collection system will be owned by the OCSD, a sanitation district created pursuant to KRS Chapter 220. It is anticipated that a request for the approval of the sale will be filed with the Public Service Commission on or before December 13, 1999.

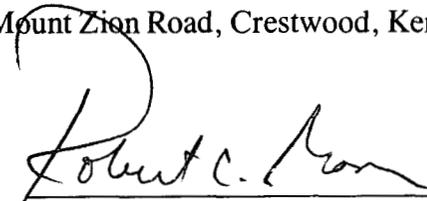
Respectfully Submitted,



Robert C. Moore  
Hazelrigg and Cox  
P.O. Box 676, 415 West Main Street, 1<sup>st</sup> Floor  
Frankfort, Kentucky 40602-0676  
Attorney for Covered Bridge Utilities, Inc.

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by first class mail, postage prepaid, on Mr. Fred T. Horneffer, P.O. Box 32500, Louisville, Kentucky 40232-2500, Frank G. Simpson, III, Simpson Law Offices, Suite 102, 11414 Main Street, Middletown, Kentucky 40243, Jeffrey W. Kibbey, 121 South Seventh Street, Suite 100, Louisville, Kentucky, 40202, Mr. Donald Roenigk and Ms. Susan Roenigk, 3803 Deer Lake Circle, Prospect, Kentucky 40059, Ms. Karen M. Kueshner, 13507 Hunters View Court, Prospect, Kentucky 40059, Mr. Gerald Berman, 12024 Charlock Court, Prospect, Kentucky 40059, Mr. David E. Spenard, Assistant Attorney General, 1024 Capital Center Drive, Frankfort, Kentucky 40601-8204, Mr. Gerald Wuetcher, Public Service Commission, 730 Schenkel Lane, P.O. Box 615, Frankfort, Kentucky 40602 and Glenna Jo Curry, 1900 East Mount Zion Road, Crestwood, Kentucky 40014 on this 9th day of December, 1999.

  
\_\_\_\_\_  
Robert C. Moore

COMMONWEALTH OF KENTUCKY  
PUBLIC SERVICE COMMISSION  
CASE NO. 99-285

RECEIVED

DEC 08 1999

IN RE: STAFF REPORT REGARDING THE APPLICATION OF COVERED BRIDGE UTILITIES, INC. FOR AN ADJUSTMENT OF RATES PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES

**OBJECTIONS TO FINDINGS AND RECOMMENDATIONS OF STAFF REPORT ON COVERED BRIDGE UTILITIES, INC.**

Comes now C & L Builders, Inc. (C & L), by its counsel, and for its objections to the staff report filed herein on November 17, 1999, states as follows:

1. On page 10, paragraph (s), of the report, the staff finds that the cost of the new treatment plant that was to be paid by Covered Bridge Utilities, Inc. (CBU) was limited to \$200,000 by an Order entered in *Covered Bridge Utilities Inc.'s Application for a Certificate of Public Convenience and Necessity and related Financing*, Case No. 93-275. Since discovery is not completed in this action, C & L objects to the finding that CBU's costs expense for the plant should be based on \$200,000.00. The attached agreement between CBU and Langan, Martin and Keith Development Corporation (LMK), provides that LMK agreed to pay \$200,000 of the costs and CBU agreed to pay \$65,000 plus 1/3 of any cost overrun (CBU'S portion of the overrun estimated to be \$8857.90). Consequently, the cost of the new treatment plant to CBU, according to the attached agreement, did not exceed \$73,857.90.

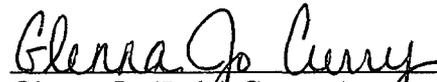
It is also noted that \$160,000.00 of the costs of the expansion of the new plant was to be paid to Andriot Davidson Company, a company the staff report notes is owned by Martin Cogan and Larry Smither. Since discovery is incomplete, the parties can not determine whether the agreement as to the costs for the construction of the new plant is reasonable.

2. On page 12, paragraph (w), the staff report finds that the interest expense is based on a repayment amount of \$200,000. For the reasons set forth in objection 1 above, the interest

amount should be based on an amount no greater than the actual costs allocated to CBU by the attached agreement.

3. In Attachment E, "Staff Recommended Rates", the staff recommends a rate of \$37.97. C & L Builders concurs that the residential rate should be no greater than \$37.97, but reiterates its position set forth, by counsel, at the informal conference conducted on September 7, 1999 in regard to the subsidization of Hayfield Utilities' customers by the residential customers of CBU. C & L Builders objects to an allocation that does not reflect the same per customer charge for both the residents of Countryside as well as the current residential customers of CBU.

Respectfully submitted,



Glenna Jo (Jody) Curry, Attorney  
206 West Jefferson Street, Suite 100  
LaGrange, Kentucky 40031  
(502) 222-9808  
FAX (502) 225-0924

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Objections to Staff Report was served by first class U.S. Mail, postage prepaid, upon the following, this 8<sup>th</sup> day of December, 1999.

Mr. Martin G. Cogan  
Covered Bridge Utilities, Inc.  
136 St. Matthews Avenue, Suite 300  
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Ms. Karen M. Kueshner  
13507 Hunters View Court  
Prospect, KY 40059

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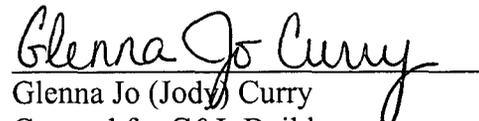
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1024 Capital Center Drive  
Frankfort, KY 40601-8204

Jeffrey W. Kibbey, Esq.  
121 S. Seventh St., Suite 100  
Louisville, KY 40202

  
Glenna Jo (Jody) Curry  
Counsel for C&L Builders

AGREEMENT

THIS AGREEMENT is made this 5 day of <sup>May</sup>~~April~~, 1990, by and between COVERED BRIDGE UTILITIES, INC. (CBU) and LANGAN, MARTIN AND KEITH DEVELOPMENT CORPORATION (LMK).

WHEREAS, LMK is the owner of a development known as The Meadows at Covered Bridge; and

WHEREAS, LMK is in need of sanitary sewers to serve that development; and

WHEREAS, CBU is the owner of a sewage treatment plant that can be utilized to serve the needs of LMK's development if said sewage treatment plant's capacity is expanded according to specifications set out by the Kentucky Division of Water; and

WHEREAS, CBU and LMK desire to work together to increase the capacity of said sewage treatment plant in order to provide sewer services to LMK's development and increase revenues for CBU;

IT IS HEREBY AGREED AS FOLLOWS:

1. LMK and CBU shall retain James-Winstead & Associates, Inc., Engineers, to complete the necessary engineering work to accomplish expansion of said sewage treatment plant. Should any portion of the engineering work be completed and the expansion not proceed through no fault of LMK or CBU, LMK shall be responsible for paying the services of James-Winstead & Associates, Inc.

2. The estimated costs of the project for the expansion are as follows:

Exhibit 1

|                                 |                     |            |
|---------------------------------|---------------------|------------|
| Treatment Plant Expansion       | \$120,000.00        | firm price |
| Lift Station @ Countryside      | 15,000.00           | firm price |
| Lift Station @ The Meadows      | 25,000.00           | firm price |
| - 6" Ø x 2200 LF x 18.00        | 36,000.00           | to be bid  |
| 8" Ø gravity x 110'             | 1,800.00            | to be bid  |
| 4" Ø x 700 LF x 18.00           | 11,000.00           | to be bid  |
| 8" Ø gravity x 450'             | 7,200.00            | to be bid  |
| - Road Cuts                     | 1,600.00            | to be bid  |
| - 8" Ø gravity around lake      | 9,000.00            | to be bid  |
|                                 | <u>\$226,600.00</u> |            |
| Engineering                     | 25,000.00           | firm price |
| Lagoon rebuilding and expansion | 40,000.00           | firm price |
|                                 | <u>\$291,600.00</u> |            |

3. LMK agrees to pay \$200,000.00 of these costs, and CBU agrees to pay \$65,000.00. LMK agrees to loan the \$65,000.00 to CBU. Should the expense exceed \$265,000.00, for the above-stated expansion of the sewage treatment plant, LMK shall pay two-thirds of any cost overrun, and CBU shall pay one-third. (As estimated above, there is projected a \$26,600.00 overrun.  $\$26,600 \times 2/3 = \$17,713.60$  to LMK and  $\$26,600 \times 1/3 = \$8,857.90$  to CBU.) LMK agrees to lend to CBU its share of the overrun amount/funds. All sums loaned to CBU from LMK are to be paid back with interest at the rate of 11<sup>1</sup>/<sub>0</sub> percent per annum amortized over a 15-year term with a balloon payment in 10 years.

No payment on the loan from LMK to CBU is due until the Countryside Subdivision/Plant is abandoned and tapped into the CBU System and CBU begins to receive revenue from Countryside Subdivision. Interest shall begin to accrue 6 months from date construction begins.

4. The expansion of said sewage treatment plant shall not only accommodate the users at Countryside Subdivision, but also shall accommodate 81 taps from The Meadows at Covered Bridge in LMK's development. Should there be more than 81 taps at The Meadows at Covered Bridge, LMK shall pay to CBU a tap-on fee of \$2,000.00 for each sewer tap over 81. Subject to state and local approval, CBU will provide 19 additional tap ons to LMK.

5. CBU is experienced and knowledgeable regarding construction of sewage treatment plants and will manage and supervise the construction according to the construction plans and specifications as prepared by James-Winstead & Associates, Inc., approved by the Division of Water in Frankfort, Kentucky.

So long as the work herein contracted for is prosecuted in accordance with the construction plans and specifications, and with such progress as may be satisfactory to the engineer, the engineer will on or about the first day of each month make an approximate estimate of the proportionate value of the work done and of material furnished or delivered upon CBU's property at the site of the work, up to and including the last day of the previous month. The amount of said estimate, after deducting ten percent and all previous payments, shall be due and payable to CBU or to the contractor by LMK on or about the tenth day of the current month.

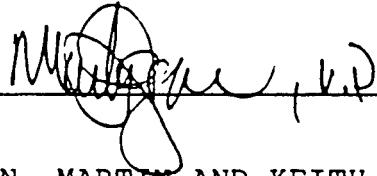
CBU and LMK shall jointly agree on all contracts for construction to be bid and the exact cost prior to the commencement of construction.

The following prices are firm and acceptable to the parties:

1. Treatment Plant Expansion -- \$120,000.00 payable to Andriot Davidson Company.
2. Lift Station at Countryside -- \$15,000.00 payable to Andriot Davidson Company.
3. Lift Station at The Meadows -- \$25,000.00 payable to Andriot Davidson Company.
4. Engineering -- \$25,000.00 to James-Winstead & Associates, Inc..
5. Lagoon rebuilding and expansion -- \$40,000.00 payable to CBU.

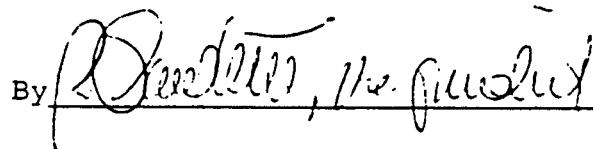
COVERED BRIDGE UTILITIES, INC.

By



LANGAN, MARTIN AND KEITH  
DEVELOPMENT CORPORATION

By



This agreement is contingent upon  
CUBK obtaining a construction loan for the Meadows  
Project.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED  
NOV 17 1999  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF COVERED BRIDGE )  
UTILITIES FOR A RATE ADJUSTMENT PURSUANT ) CASE NO. 99-285  
TO THE ALTERNATIVE RATE FILING PROCEDURE )  
FOR SMALL UTILITIES )

**NOTICE OF FILING**

Commission Staff gives notice of its filing of a written report of its findings and recommendations on the proposed rate adjustment in accordance with the Commission's Order of October 8, 1999.

Respectfully submitted,

  
Gerald E. Wuetcher  
730 Schenkel Lane  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
  
Counsel for Commission Staff

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Notice was served by first class U.S. Mail, postage prepaid, upon the following, this 17th day of November, 1999:

Mr. Martin G. Cogan  
Covered Bridge Utilities, Inc.  
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Louisville, Kentucky 40207

Robert C. Moore, Esq.  
Hazelrigg and Cox  
415 West Main Street  
P. O. Box 676  
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Louisville, Kentucky 40232-2500

Glenna J. Curry, Esq.  
1900 East Mt. Zion Road  
Crestwood, Kentucky 40014

Mr. Donald Roenigk  
Ms. Susan Roenigk  
3803 Deer Lake Circle  
Prospect, Kentucky 40059

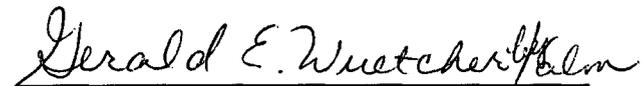
Ms. Karen M. Kueshner  
13507 Hunters View Court  
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Gerald E. Wuetcher  
Gerald E. Wuetcher

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

THE APPLICATION OF COVERED BRIDGE )  
UTILITIES, INC. FOR A RATE ADJUSTMENT ) CASE No.  
PURSUANT TO THE ALTERNATIVE RATE ) 99-285  
FILING PROCEDURE FOR SMALL UTILITIES )

STAFF REPORT

Prepared by: Mark C. Frost  
Public Utilities Financial Analyst  
Water and Sewer Revenue  
Requirements Branch  
Division of Financial Analysis

Prepared by: Renee Curry  
Public Utilities Rate Analyst  
Communications, Water and  
Sewer Rate Design Branch  
Division of Financial Analysis

STAFF REPORT  
ON  
COVERED BRIDGE UTILITIES, INC.  
CASE NO. 99-285

On June 30, 1999, Covered Bridge Utilities, Inc. ("Covered Bridge") filed its application seeking to increase its rates pursuant to 807 KAR 5:076. An Informal Conference was held at the Commission's offices on September 7, 1999, to discuss Covered Bridge's application. Pursuant to discussions at the Informal Conference, Covered Bridge requested on September 24, 1999, that its application be amended to request only a review of the commercial rate to be charged to Hayfield Utilities, Inc.

In order to evaluate Covered Bridge's commercial rate and to ensure that there is no cross-subsidization between the residential and commercial classes, Commission Staff ("Staff") performed a limited review of Covered Bridge's test-period operations, the year ending December 31, 1998. The scope of Staff's review was limited to obtaining information as to whether the test-period operating revenues and expenses were representative of normal operations. In significant or immaterial discrepancies were not pursued and are not addressed herein.

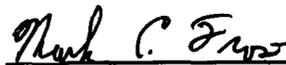
Mark Frost and Renee Curry of the Commission Division of Financial Analysis performed the review on September 20 and 21, 1999 and November 11, 1999. Mr. Frost is responsible for the preparation of this Staff Report except for

the determination of normalized operating revenue and Attachment E, which were prepared by Ms. Curry.

A comparison of Covered Bridge's actual and pro forma operations is shown in Attachment A. Based upon Staff's recommendations, Covered Bridge's operating statement would appear as set forth in Attachment B and Attachment C is Staff's discussions on the pro forma adjustments.

Attachment D compares Covered Bridge's and Staff's revenue requirement calculations. Covered Bridge determined its pro forma revenue requirement to be \$205,992, an increase in normalized test-period revenues of \$166,399. Staff recommends a revenue requirement of \$109,399 or a \$1,829 decrease. The rates contained in Attachment E will achieve Staff's recommended level of revenue.

Signatures



Prepared by: Mark C. Frost  
Public Utilities Financial Analyst  
Water and Sewer Revenue  
Requirements Branch  
Division of Financial Analysis



Prepared by: Renee Curry  
Public Utilities Rate Analyst  
Communications, Water and  
Sewer Rate Design Branch  
Division of Financial Analysis

ATTACHMENT A  
STAFF REPORT CASE NO 99-285  
COVERED BRIDGE'S REQUESTED OPERATIONS

|                                    | Actual<br>Test Period | Pro Forma<br>Adjustments | Pro Forma<br>Operations |
|------------------------------------|-----------------------|--------------------------|-------------------------|
| Operating Revenues:                |                       |                          |                         |
| Residential                        | \$ 39,593             | \$ -                     | \$ 39,593               |
| Commercial                         | 0                     | 0                        | 0                       |
| Total Operating Revenues           | <u>\$ 39,593</u>      | <u>\$ -</u>              | <u>\$ 39,593</u>        |
| Operating Expenses:                |                       |                          |                         |
| Operation & Maintenance Expenses:  |                       |                          |                         |
| Owner/Manager Fee                  | \$ 3,600              | \$ -                     | \$ 3,600                |
| Sludge Hauling                     | 5,088                 | 12,407                   | 17,495                  |
| Utility Service - Water            | 4,784                 | 2,116                    | 6,900                   |
| Other - Labor                      | 8,800                 | (480)                    | 8,320                   |
| Fuel & Power                       | 5,957                 | 8,443                    | 14,400                  |
| Chemicals                          | 4,228                 | 2,412                    | 6,640                   |
| Routine Maintenance Fee            | 7,750                 | 1,250                    | 9,000                   |
| Maintenance of Collection System   | 0                     | 1,000                    | 1,000                   |
| Maintenance of Treatment Plant     | 14,527                | 6,333                    | 20,860                  |
| Maintenance of Other Facilities    | 4,428                 | (3,388)                  | 1,040                   |
| Agency Collection Fee              | 858                   | 0                        | 858                     |
| Office Supplies                    | 0                     | 1,800                    | 1,800                   |
| Outside Services Employed          | 14,015                | 0                        | 14,015                  |
| Insurance Expense                  | 1,751                 | (665)                    | 1,086                   |
| Regulatory Commission Expense      | 12                    | (12)                     | 0                       |
| Transportation Expense             | 2,300                 | 0                        | 2,300                   |
| Miscellaneous Expenses             | 1,926                 | 0                        | 1,926                   |
| Rents                              | 1,200                 | 0                        | 1,200                   |
| Extraordinary Expense              | 0                     | 21,000                   | 21,000                  |
| Total Operation & Maintenance Exp. | <u>\$ 81,224</u>      | <u>\$ 52,216</u>         | <u>\$ 133,440</u>       |
| Depreciation                       | 4,620                 | 17,388                   | 22,008                  |
| Amortization                       | 150                   | 567                      | 717                     |
| Taxes Other Than Income Taxes      | 115                   | 0                        | 115                     |
| Income Taxes                       | 0                     | 2,400                    | 2,400                   |
| Total Operating Expenses           | <u>\$ 86,109</u>      | <u>\$ 72,571</u>         | <u>\$ 158,680</u>       |
| Net Operating Income               | \$ (46,516)           | \$ (72,571)              | \$ (119,087)            |
| Other Income:                      |                       |                          |                         |
| Interest Income                    | 4                     | (4)                      | 0                       |
| Other Deductions:                  |                       |                          |                         |
| Interest Expense                   | 1,418                 | 24,256                   | 25,674                  |
| Net Income                         | <u>\$ (47,930)</u>    | <u>\$ (96,831)</u>       | <u>\$ (144,761)</u>     |

ATTACHMENT B  
STAFF REPORT CASE NO 99-285  
STAFF'S RECOMMENDED OPERATIONS

|   | Test Period<br>Actual | Pro Forma<br>Adjustments | Ref. | Pro Forma<br>Operations |
|---|-----------------------|--------------------------|------|-------------------------|
| <b>Operating Revenues:</b>                    |                       |                          |      |                         |
| Residential                                   | \$ 39,593             | \$ 29,635                | (a)  | \$ 69,228               |
| Commercial                                    | 0                     | 42,000                   | (b)  | 42,000                  |
| <b>Total Operating Revenues</b>               | <b>\$ 39,593</b>      | <b>\$ 71,635</b>         |      | <b>\$ 111,228</b>       |
| <b>Operating Expenses:</b>                    |                       |                          |      |                         |
| <b>Operation &amp; Maintenance Expenses:</b>  |                       |                          |      |                         |
| Owner/Manager Fee                             | \$ 3,600              | \$ -                     |      | \$ 3,600                |
| Sludge Hauling                                | 5,088                 | 7,265                    | (c)  | 12,353                  |
| Utility Service - Water                       | 4,784                 | 714                      | (d)  | 5,498                   |
| Other - Labor                                 | 8,800                 | (480)                    | (e)  | 8,320                   |
| Fuel & Power                                  | 5,957                 | 6,852                    | (f)  | 12,809                  |
| Chemicals                                     | 4,228                 | (456)                    | (g)  | 3,772                   |
| Routine Maintenance Fee                       | 7,750                 | (1,750)                  | (h)  | 6,000                   |
| Maintenance of Collection System              | 0                     | 0                        |      | 0                       |
| Maintenance of Treatment Plant                | 14,527                | (8,571)                  | (j)  | 5,956                   |
| Maintenance of Other Facilities               | 4,428                 | (3,600)                  | (k)  | 828                     |
| Agency Collection Fee                         | 858                   | 0                        |      | 858                     |
| Office Supplies                               | 0                     | 0                        |      | 0                       |
| Outside Services Employed                     | 14,015                | (11,177)                 | (m)  | 2,838                   |
| Insurance Expense                             | 1,751                 | 0                        |      | 1,751                   |
| Regulatory Commission Expense                 | 12                    | 0                        |      | 12                      |
| Transportation Expense                        | 2,300                 | (2,300)                  | (o)  | 0                       |
| Miscellaneous Expenses                        | 1,926                 | (1,576)                  | (p)  | 350                     |
| Rents   | 1,200                 | (600)                    | (q)  | 600                     |
| Extraordinary Expense                         | 0                     | 4,290                    | (r)  | 4,290                   |
| <b>Total Operation &amp; Maintenance Exp.</b> | <b>\$ 81,224</b>      | <b>\$ (11,389)</b>       |      | <b>\$ 69,835</b>        |
| Depreciation                                  | 4,620                 | 6,744                    | (s)  | 11,364                  |
| Amortization                                  | 150                   | 727                      | (t)  | 877                     |
| Taxes Other Than Income Taxes                 | 115                   | 0                        |      | 115                     |
| Income Taxes                                  | 0                     | 0                        |      | 0                       |
| <b>Total Operating Expenses</b>               | <b>\$ 86,109</b>      | <b>\$ (3,918)</b>        |      | <b>\$ 82,191</b>        |
| <b>Net Operating Income</b>                   | <b>\$ (46,516)</b>    | <b>\$ 75,553</b>         |      | <b>\$ 29,037</b>        |
| <b>Other Income:</b>                          |                       |                          |      |                         |
| Interest Income                               | 4                     | (4)                      | (v)  | 0                       |
| <b>Other Deductions:</b>                      |                       |                          |      |                         |
| Interest Expense                              | 1,418                 | 14,582                   | (w)  | 16,000                  |
| <b>Net Income</b>                             | <b>\$ (47,930)</b>    | <b>\$ 60,967</b>         |      | <b>\$ 13,037</b>        |

ATTACHMENT C  
STAFF REPORT CASE NO. 99-285  
STAFF'S DISCUSSIONS ON THE  
PRO FORMA ADJUSTMENTS

(a) Operating Revenues - Residential. Covered Bridge's 1998 annual report indicated that Covered Bridge had 144 customers with annual revenues from rates of 39,593. With 144 customers, Covered Bridge's annual revenue from rates should be \$69,228 (144 customers x 40.05 per month x 12 months). For the purposes of this report, Covered Bridge's normalized operating revenue will be \$69,228.

(b) Operating Revenues - Commercial. Covered Bridge has one commercial customer with a contracted rate of \$3,500 per month. Covered Bridge's annual revenue from its commercial customer should be \$42,000 (3,500 x 12). For the purposes of this report, Covered Bridge's commercial normalized operating revenue will be \$42,000

(c) Sludge Hauling. Covered Bridge proposed a pro forma level of sludge hauling expense of \$17,495, an increase of \$12,407 above its test-period level. This adjustment is based on hauling 17,000 gallons of sludge per month at a fee of \$85.76 per 1,000 gallons. According to Covered Bridge the sludge levels in the plant need to be lowered to maintain the proper effluent BOD levels and to reduce the possibility of solids loss from the plant during high flow periods.

At the end of 1998 Covered Bridge installed a new 100,000 gallon treatment plant which increased its plant capacity from 40,000 GPD to 140,000 GPD. Increasing the treatment plant capacity by this amount would directly impact the following variable expenses: sludge hauling, purchased water, and fuel and power.

ATTACHMENT C  
STAFF REPORT CASE NO. 99-285  
STAFF'S DISCUSSIONS ON THE  
PRO FORMA ADJUSTMENTS

Staff reviewed Covered Bridge's 1998 and 1999 sludge hauling records and determined that for the 12-month period from August 1998 through July 1999, 148,000 gallons of sludge was removed at a cost of \$12,353. Because this period represents the first full year of operating both treatment plants, it is a closer representation of the on-going sludge hauling expense. For this reason Staff recommends that sludge hauling expense be increased by \$7,265 to \$12,353.

(d) Utility Service – Water. Covered Bridge proposed to increase test period purchased water of \$4,784 by \$2,116 as a result of installing a gas chlorination and dechlorination system. In Case No. 97-455<sup>1</sup>, Staff determined that these systems were placed in service throughout 1997 and that no adjustment was necessary.

As previously mentioned the plant expansion would have a direct impact on purchased water expense. An analysis of the purchased water invoices showed that for the 12-month period from August 1998 through July 1999, the purchased water expense was \$5,498. Staff has increased purchased water expense by \$714.

(e) Other – Labor. Covered Bridge proposed a pro forma level of testing expense of \$8,320, a decrease of \$480 from the test-period level of \$8,800. This adjustment is based on the KPDES permit requirement that plant effluent be

ATTACHMENT C  
STAFF REPORT CASE NO. 99-285  
STAFF'S DISCUSSIONS ON THE  
PRO FORMA ADJUSTMENTS

tested weekly and the current Beckmar lab fee of \$160 per test. Staff recommends Covered Bridge's proposed adjustment be accepted.

(f) Fuel & Power. Covered Bridge proposed to increase its test-period fuel and power expense of \$5,957 by \$8,443 to reflect the first full year its new treatment plant is in operation. The actual electric expense for the 12-month period of August 1998 through July 1999 was \$12,809. Because, this period represents the first full year of operating both treatment plants Staff decided to use \$12,809 as its recommended pro forma fuel and power expense and therefore, has increased fuel and power expense by \$6,852.

(g) Chemicals. Covered bridge proposed to increase its test-period chemical expense of \$4,228 by \$2,412 to reflect adding odor control at an estimated cost of \$201 per month. Upon review of the 1999 invoices Staff verified that Covered Bridge began treating its odor problem in January 1999 at cost of \$201 per month.

Upon further review of the chemical invoices, Staff determined the test period chemical expense was \$1,356, \$2,872 below the amount reported for the test period. The actual test period chemical expense combined with cost of the odor control results in a pro forma level of \$3,772. Staff has decreased chemical expense by \$456.

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<sup>1</sup> Case No. 97-455, The Application of Covered Bridge Utilities, Inc. for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure for Small Utilities, Order issued on October 9, 1998.

ATTACHMENT C  
STAFF REPORT CASE NO. 99-285  
STAFF'S DISCUSSIONS ON THE  
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(h) Routine Maintenance Fee. Andriot Davidson ("Andriot") performs all of the routine maintenance for Covered Bridge. Andriot is owned and operated by Martin Cogan and Larry Smither. The contracted routine maintenance fee in effect during the test period was \$500 per month or \$5,400 annually. A new 100,000 gallon treatment plant was placed into service that operates independently of the 40,000 gallon plant. Accordingly, Andriot increased the routine maintenance fee to \$750 per month or \$9,000 annually. Covered Bridge proposed to increase the test-period maintenance fee by \$1,250 as a result of the new routine maintenance fee.

Covered Bridge's contract with Andriot represents a less than arms length transaction as Mr. Cogan and Mr. Smither are owners of both Covered Bridge and Andriot. To evaluate the reasonableness of the routine maintenance fee, Staff requested Covered bridge to provide competitive bids from companies that provide a service similar to Andriot. Since Covered Bridge has not provided the requested documentation, Staff is unable to determine if the increased fee is reasonable and therefore, recommends this adjustment be denied.

Staff has reduced the test-period routine maintenance expense by \$1,750 to reflect the test-period contract fee of \$500 per month or \$6,000 annually.

(i) Maintenance of Collection System. Covered Bridge proposed to increase its test period operations by \$1,000 to reflect a 2-year amortization of the cost of a bi-annual infiltration inspection that was to be performed in 1999. Staff found no evidence indicating that the inspection had been performed in 1999.

ATTACHMENT C  
STAFF REPORT CASE NO. 99-285  
STAFF'S DISCUSSIONS ON THE  
PRO FORMA ADJUSTMENTS

Furthermore, Staff requested supporting documentation as to the cost of such inspection, which Covered Bridge has not provided. Staff recommends that this proposed adjustment be denied.

(j) Maintenance of Treatment Plant. During the test-period Covered Bridge expensed \$14,015 for maintaining its treatment plant. After reviewing the invoices and general journal entries, Staff determined that the actual expense was \$12,104, \$2,423 below the reported test-period level. Furthermore, Covered Bridge expensed \$6,148 of the cost of installing the new treatment plant.

Staff has reduced the test-period maintenance of treatment plant expense by \$8,571. A provision for the recovery of the capital expenditures is included in the depreciation expense adjustment.

(k) Maintenance of Other Facilities. Covered Bridge proposed to decrease its maintenance of other facilities expense of \$4,428 by \$3,388 to reflect the amount allowed in Case No. 97-455. The accountant made an \$3,600 journal entry to this account. Staff requested Covered Bridge to provide an explanation and a copy of the invoice to support the accountants journal entry. Since Covered Bridge failed to provide the requested support, Staff recommends that maintenance of other facilities expense be reduced by \$3,600.

(l) Office Supplies. Covered Bridge increased test period operations by \$1,800 to reflect the cost of proposed telephone lines at the office of Martin Cogan and the treatment plant facility. Covered Bridge indicated that these lines are necessary to properly service its plant and customers.

ATTACHMENT C  
STAFF REPORT CASE NO. 99-285  
STAFF'S DISCUSSIONS ON THE  
PRO FORMA ADJUSTMENTS

In Case No. 97-455, Covered Bridge proposed a similar adjustment. In that proceeding Staff determined that both telephone lines were not necessary and recommended the adjustment be denied. In this current case Covered Bridge has not provided Staff with evidence to show that the recommendation in Case No. 97-455 should be changed. Therefore, Staff recommends Covered Bridge's adjustment be denied.

(m) Outside Services. During the test period Covered Bridge paid Martin Cogan \$4,200 for bookkeeping services. Covered Bridge's payments for bookkeeping services represent a less than arms length transaction as Mr. Cogan is the owner of Covered Bridge.

In Case No. 97-455, Staff evaluated the reasonableness of the fee paid to Mr. Cogan, by reviewing the fees charged to similar sewer utilities by independent bookkeepers. Based upon its review, Staff recommended that the amount allowed to Covered Bridge for bookkeeping services be limited to \$1,603. In that proceeding, Staff determined that \$1,603 is the amount that an independent contractor would charge for these services and therefore it would represent the fair market value.

Staff requested Covered Bridge to provide documentation to support its test-period bookkeeping fee \$4,200. Since Covered Bridge has not provided the requested documentation, Staff recommends that the bookkeeping fee be limited to \$1,603, which results in a decrease of \$2,597.

ATTACHMENT C  
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Logsdon and Co. provides accounting services to Covered Bridge that includes the preparation of the Commission's annual report and state and federal income tax returns. The fee for Logsdon and Co.'s 1998 services was \$1,235. Staff has decreased the reported test-period expense of \$1,375 by \$140 to reflect the 1998 accounting fee.

Covered Bridge reported test-period legal fees of \$8,025. Based upon its review of the invoices, Staff determined that the legal fees paid by Covered Bridge to Hazelrigg and Cox was for the legal representation of Carroll Cogan and therefore, should not have been reported as an expense by Covered Bridge. Staff has decreased outside service expense by an additional \$8,025 to eliminate test period legal fees.

Covered Bridge reported an other consulting fee of \$415. During its review, Staff was unable to find an invoice or any other form of documentation to support this fee. Therefore, Staff recommends that outside service be decreased by an additional \$415 to eliminate this fee from test period operations.

The aforementioned adjustments results in an overall decrease to outside services expense of \$11,177.

(n) Regulatory Commission Expense. Covered Bridge proposed to reduce test-period operations by \$12 to eliminate the regulatory commission expense. According to Covered Bridge this proposed adjustment reflects the amount allowed in the previous rate case. Staff reviewed the supporting invoices and

ATTACHMENT C  
STAFF REPORT CASE NO. 99-285  
STAFF'S DISCUSSIONS ON THE  
PRO FORMA ADJUSTMENTS

determined that the test-period expense is reasonable and therefore recommends that this adjustment be denied.

(o) Transportation. Covered Bridge reported transportation expenses of \$2,300. This amount represented mileage reimbursements to Lawrence Smither and Martin Cogan of \$1,300 and \$1,000, respectively. Covered Bridge was unable to provide Staff with mileage records/logs to support these reimbursements. Staff recommends that this expense be eliminated for lack of evidence.

(p) Miscellaneous. Covered Bridge reported test-period miscellaneous expenses of \$1,926. Staff noted that this amount was an accumulation of automatic bank withdrawals. Martin Cogan stated that all of the withdrawals with the exception of \$350 represented bank overdraft charges. Staff recommends that miscellaneous expense be decreased by \$1,576 (\$1,926 - \$350) to eliminate the bank overdraft fees because they represent penalties that should be recovered from the stockholders of Covered Bridge rather than the ratepayers.

(q) Rents. Covered Bridge reported test-period rent expense of \$1,200. To determine the reasonableness of the expense level, Staff requested information regarding the office building occupied by Covered Bridge. The information requested included rent paid by nonaffiliated tenants, square footage occupied by those tenants and Covered Bridge, and the rent paid by all companies owned by Martin Cogan operating from that building. Because the information was not

ATTACHMENT C  
STAFF REPORT CASE NO. 99-285  
STAFF'S DISCUSSIONS ON THE  
PRO FORMA ADJUSTMENTS

provided, Staff was unable to evaluate the reasonableness of the test-period rent expense.

In Case No. 97-455, Staff recommended rent expense be limited to \$600, which was the amount paid by other sewer utilities operating from the same office. Since Staff is unable to determine if the test-period rent is reasonable, it recommends that rent expense decreased by \$600, the level determined reasonable in Case No. 97-455.

(r) Extraordinary Expense. Covered Bridge has replaced its tertiary lagoon with a mechanical tertiary. The Division of Water and Franklin Circuit Court have mandated that the accumulated sludge be removed from the lagoon and properly disposed of and the lagoon be filled. Covered Bridge proposed to increase test-period operations by \$21,000 to reflect removing and disposing of 30 loads of sludge at a cost of \$700 per load.

Based upon the requirements of the Division of Water and Franklin Circuit Court, the cost to remove the sludge from the lagoon should be reflected in test period operations. However, Covered Bridge did not provide the cost estimates to support its pro forma expense of \$21,000.

Using the test-period sludge hauling fee of \$429 per 5,000 gallon load and Covered Bridge's estimated 30 loads; Staff arrived at its pro forma cost of \$12,870. Since this is a non-recurring item, the cost should be amortized over an appropriate period. Staff has increase test-period operations by \$4,290 to reflect amortizing the \$12,870 in sludge removal cost over 3 years.

ATTACHMENT C  
STAFF REPORT CASE NO. 99-285  
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(s) Depreciation Expense. Covered Bridge proposed to increase test period depreciation expense of \$4,620 by \$17,388 for a pro forma level of \$22,008. The following items comprise Covered Bridges pro forma depreciation expense:

| <u>Description</u>      | <u>Cost</u> | <u>Depreciation</u> |                |
|-------------------------|-------------|---------------------|----------------|
|                         |             | <u>Lives</u>        | <u>Expense</u> |
| Old Treatment Plant     | \$ 15,000   | 15 Years            | \$ 983         |
| New Treatment Plant     | \$ 290,977  | 15 Years            | \$ 20,381      |
| Grinder – CN 97-455     | \$ 1,399    | 5 Years             | \$ 268         |
| New Service – CN 97-455 | \$ 787      | 20 Years            | \$ 39          |
| Computer/Fax – New      | \$ 6,600    | 5 Years             | \$ 1,320       |

Covered Bridge proposed to recover the cost of a computer and fax machine over five years. These items have not been purchased and Covered Bridge did not present support to justify the necessity of such a system or its proposed cost of \$6,600. Staff recommends the proposed adjustment be denied.

According to Covered Bridge its new treatment plant cost \$290,000; however, in the Order<sup>2</sup> granting the Certificate of Public Convenience and Necessity, the cost of the new treatment plant that was to be paid by Covered Bridge was limited to \$200,000. Therefore, depreciation expense will be based upon \$200,000 rather than the proposed \$290,000.

Covered Bridge proposed to depreciate its treatment plants over 15 years. After conferring with the Commission's engineering division it was determined that a 20 year life is a more appropriate depreciation period.

<sup>2</sup> Case No. 93-275, Covered Bridge Utilities Inc.'s Application for a Certificate of Public Convenience and Necessity and related Financing, Order issued May 24, 1994.

ATTACHMENT C  
STAFF REPORT CASE NO. 99-285  
STAFF'S DISCUSSIONS ON THE  
PRO FORMA ADJUSTMENTS

Staff recommends depreciation expense be increased by \$6,774 to a pro level of \$11,364, which was calculated in the following manner:

| <u>Description</u>       | <u>Cost</u> | <u>Depreciation</u> |                  |
|--------------------------|-------------|---------------------|------------------|
|                          |             | <u>Lives</u>        | <u>Expense</u>   |
| Old Treatment Plant      | \$ 15,000   | 20 Years            | \$ 750           |
| New Treatment Plant      | \$ 200,000  | 20 Years            | 10,000           |
| Grinder – CN 97-455      | \$ 1,399    | 5 Years             | 268              |
| New Service – CN 97-455  | \$ 787      | 20 Years            | 39               |
| Treatment Plant – Maint. | \$ 6,148    | 20 Years            | 307              |
| Pro Forma Depreciation   |             |                     | <u>\$ 11,364</u> |

(t) Amortization Expense. Covered Bridge proposed to increase test-period operations by \$717 to reflect amortizing the cost of this rate case over 3-years and the amortizations allowed in Case No. 97-455.

Based upon its review of the test-period invoices, Staff determined that Covered Bridge paid its accountant \$1,380 to prepare its application. Rate case expenses should be amortized over the reasonably anticipated life of the rates. Since Covered Bridge's last rate case was filed in 1997, Staff recommends that the actual cost of this rate case application be amortized over 3-years.

The net increase for the amortization adjustments is \$727, calculated in the following manner:

|                      |                   |               |
|----------------------|-------------------|---------------|
| Previous Rate Case   |                   | \$ 300        |
| Sludge Analysis Fee  |                   | 117           |
| Current Rate Case    | \$1,380 / 3-Years | + 460         |
| Amortization Expense |                   | <u>\$ 727</u> |

(u) Income Taxes. Covered Bridge proposed to increase test period operations by \$2,400 for state and federal income taxes. Staff has disallowed the proposed adjustment as Covered Bridge is currently a Sub-S. The

ATTACHMENT C  
STAFF REPORT CASE NO. 99-285  
STAFF'S DISCUSSIONS ON THE  
PRO FORMA ADJUSTMENTS

Commission does not allow Sub-S's to recover income taxes through rates as they are the personal responsibility of the Stockholders.

(v) Interest Income. Covered Bridge proposed to eliminate its test-period interest income of \$4 because there is no interest bearing accounts owned by the utility. Staff's review showed that Covered Bridge did not report interest income in 1999. Therefore, Staff recommends that Covered Bridge's adjustment be accepted.

(w) Interest Expense. Covered Bridge proposed to increase test-period operations by \$25,674 to reflect interest expense on the following loans:

|                    | <u>Principal</u> | <u>Interest</u> |                |
|--------------------|------------------|-----------------|----------------|
|                    |                  | <u>Rate</u>     | <u>Expense</u> |
| National City Bank | \$ 60,000        | 7.75%           | \$ 4,650       |
| LMK                | \$290,977        | 8.00%           | \$ 21,024      |

Case No. 93-275 approved the proposed financing plan with LMK, which limited the total repayment to LMK to \$200,000 at an interest rate of 8 percent per annum. Covered Bridge did not provide the requested loan documentation to support its National City Bank loan. Therefore, Staff's pro forma interest expense of \$16,000 only reflects the LMK loan amount and interest rate approved in Case No. 93-275. Staff has increased depreciation expense by \$14,582.

ATTACHMENT D  
 STAFF REPORT CASE NO 99-285  
 COMPARISON OF REQUESTED AND RECOMMENDED  
 REVENUE REQUIREMENTS

|                                    | Requested<br>by Covered<br>Bridge | Recommended<br>by Staff  |
|------------------------------------|-----------------------------------|--------------------------|
| Operating Expenses                 | <u>\$ 158,680</u>                 | <u>\$ 82,191</u>         |
| Divided by: Operating Ratio        | 88%                               | 88%                      |
| Subtotal                           | \$ 180,318                        | \$ 93,399                |
| Add: Interest Expense              | <u>25,674</u>                     | <u>16,000</u>            |
| Revenue Requirement                | \$ 205,992                        | \$ 109,399               |
| Less: Normalized Operating Revenue | <u>39,593</u>                     | <u>111,228</u>           |
| Required Increase                  | <u><u>\$ 166,399</u></u>          | <u><u>\$ (1,829)</u></u> |

ATTACHMENT E  
STAFF REPORT 99-285  
RECOMMENDED SEWER RATES

| Operating Expenses:                           | Allocation Factors |                |          | Share of Expenses |                   |
|---|--------------------|----------------|----------|-------------------|-------------------|
|   | Total              | Covered Bridge | Hayfield | Covered Bridge    | Hayfield          |
| Operation & Maintenance Expenses:             |                    |                |          |                   |                   |
| Owner/Manager Fee                             | \$3,600            | 1.00           | 0.00     | \$3,600           | \$0               |
| Sludge Hauling                                | 12,353             | 0.55           | 0.45     | 6,794             | 5,559             |
| Utility Service - Water                       | 5,498              | 0.55           | 0.45     | 3,024             | 2,474             |
| Other - Labor                                 | 8,320              | 0.50           | 0.50     | 4,160             | 4,160             |
| Fuel & Power                                  | 12,809             | 0.55           | 0.45     | 7,045             | 5,764             |
| Chemicals                                     | 3,772              | 0.55           | 0.45     | 2,075             | 1,697             |
| Routine Maintenance Fee                       | 6,000              | 0.50           | 0.50     | 3,000             | 3,000             |
| Maintenance of Collection System              | 0                  |                |          | 0                 | 0                 |
| Maintenance of Treatment Plant                | 5,956              | 0.55           | 0.45     | 3,276             | 2,680             |
| Maintenance of Other Facilities               | 828                | 0.50           | 0.50     | 414               | 414               |
| Agency Collection Fee                         | 858                | 1.00           | 0.00     | 858               | 0                 |
| Office Supplies                               | 0                  |                |          | 0                 | 0                 |
| Outside Services Employed                     | 2,838              | 1.00           | 0.00     | 2,838             | 0                 |
| Insurance Expense                             | 1,751              | 0.50           | 0.50     | 876               | 876               |
| Regulatory Commission Expense                 | 12                 | 1.00           | 0.00     | 12                | 0                 |
| Transportation Expense                        | 0                  |                |          | 0                 | 0                 |
| Miscellaneous Expenses                        | 350                | 1.00           | 0.00     | 350               | 0                 |
| Rents   | 600                | 1.00           | 0.00     | 600               | 0                 |
| Extraordinary Expense                         | 4,290              | 1.00           | 0.00     | 4,290             | 0                 |
| <b>Total Operation &amp; Maintenance Exp.</b> | <b>\$69,835</b>    |                |          | <b>\$43,211</b>   | <b>\$26,624</b>   |
| Depreciation                                  | 11,364             | 0.55           | 0.45     | 6,250             | 5,114             |
| Amortization                                  | 877                |                |          | 417               | 460               |
| Taxes Other Than Income Taxes                 | 115                | 1.00           | 0.00     | 115               | 0                 |
| Income Taxes                                  | 0                  |                |          | 0                 | 0                 |
| <b>Total Operating Expenses</b>               | <b>\$82,191</b>    |                |          | <b>\$49,993</b>   | <b>\$32,198</b>   |
| Operating Ratio                               | 0.88               |                |          |                   |                   |
| Interest Expense                              | 16,000             | 0.55           | 0.45     | 8,800             | 7,200             |
| <b>Total Revenue Required from Rates</b>      | <b>\$109,399</b>   |                |          | <b>\$65,610</b>   | <b>\$43,789</b>   |
| <b>Staff Recommended Rates</b>                |                    |                |          | <b>\$37.97</b>    | <b>\$3,649.04</b> |

**Note:**

55/45 allocation based on gallons

50/50 allocation based on # customers

ATTACHMENT E  
STAFF REPORT 99-285  
RECOMMENDED SEWER RATES

**Recommended Rates**

Single Family Residential            \$37.97 per Month

Commercial Rate - Hayfield        \$3,649.04 per Month



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**

730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

October 8, 1999

To: All parties of record

RE: Case No. 99-285

We enclose one attested copy of the Commission's Orders in  
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell  
Secretary of the Commission

SB/hv  
Enclosures

Martin G. Cogan  
Covered Bridge Utilities, Inc.  
136 St. Matthews Avenue, Suite 300  
Louisville, KY 40207

Honorable Frank G. Simpson  
Attorney for CBFHA, et al.  
Simpson Law Offices  
Suite 102  
11414 Main Street  
Middletown, KY 40234

Honorable Robert C. Moore  
Attorney at Law  
Hazelrigg and Cox  
415 West Main Street  
P. O. Box 676  
Frankfort, KY 40602 0676

Honorable David E. Spenard  
Assistant Attorney General  
1024 Capital Center Drive  
Frankfort, KY 40601 8204

Mr. Fred T. Horneffer  
Senior Vice President  
Bank One, Kentucky, NA  
P. O. Box 32500  
Louisville, KY 40232 2500

Honorable Jeffrey W. Kibbey  
Attorney for Countryside Homeowner's  
Association  
121 S. Seventh Street, Suite 100  
Louisville, KY 40202

Honorable Glenna J. Curry  
Counsel for C & L Builders, Inc.  
1900 East Mt. Zion Road  
Crestwood, KY 40014

Mr. Donald Roenigk  
Ms. Susan Roenigk  
3803 Deer Lake Circle  
Prospect, KY 40059

Ms. Karen M. Kueshner  
13507 Hunters View Court  
Prospect, KY 40059

Mr. Gerald Berman  
12024 Charlock Court  
Prospect, KY 40059

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                      |   |          |
|--------------------------------------|---|----------|
| APPLICATION OF COVERED BRIDGE        | ) |          |
| UTILITIES, INC. FOR AN ADJUSTMENT OF | ) | CASE NO. |
| RATES PURSUANT TO THE ALTERNATIVE    | ) | 99-285   |
| RATE FILING PROCEDURE FOR SMALL      | ) |          |
| UTILITIES                            | ) |          |

O R D E R

This matter arises upon the motion of Countryside Homeowners' Association ("Countryside"), filed September 8, 1999, for full intervention and a hearing in this matter.

It appears to the Commission that Countryside has a special interest which is not otherwise adequately represented, and that such intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings; therefore, Countryside's motion to intervene should be granted. Countryside also requests that a hearing be set in this matter.

As the utility's proposed rate adjustment has already been set for hearing, the Commission finds that Countryside's motion for hearing should be denied as moot.

IT IS THEREFORE ORDERED that:

1. Countryside's motion to schedule a hearing is denied as moot.
2. The motion of Countryside to intervene is granted.

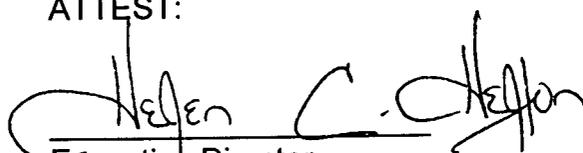
3. Countryside shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order.

4. Should Countryside file documents of any kind with the Commission in the course of these proceedings, it shall also serve a copy of said documents on all other parties of record.

Done at Frankfort, Kentucky, this 8th day of October, 1999.

By the Commission

ATTEST:

  
Executive Director

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COVERED BRIDGE UTILITIES, )  
INC. FOR AN ADJUSTMENT OF RATES PURSUANT ) CASE NO.  
TO THE ALTERNATIVE RATE FILING PROCEDURE ) 99-285  
FOR SMALL UTILITIES )

ORDER

Finding that revisions to the existing procedural schedule are required, the Commission, on its own motion, HEREBY ORDERS that:

1. A formal hearing in this matter shall be held on February 1, 2000 at 9:30 a.m., Eastern Standard Time, in the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose of direct and cross-examination of witnesses.

2. Commission Staff shall review the records of Covered Bridge and shall, no later than November 17, 1999, file with the Commission and serve upon the parties a written report of its findings and recommendations on the proposed rate adjustment.

3. Each party shall carefully review the Commission Staff report and file their written comments on the report with the Commission no later than December 10, 1999. In these comments, each party shall specifically identify those findings and recommendations to which it objects. Failure to object to a finding shall be considered as an admission of that finding.

4. Each party may, on or before December 21, 1999, serve upon Commission Staff and Covered Bridge Utilities, Inc. ("Covered Bridge") its requests for production of documents and written interrogatories.

5. Commission Staff and Covered Bridge shall, no later than January 6, 2000, serve on all parties their answers to requests for production of documents and written interrogatories.

6. Each party shall file, no later than January 18, 2000, an original and 8 copies of the following with the Commission and serve upon a copy upon each party of record:

a. A list of the names and addresses of all persons that it intends to call as witnesses at the formal hearing.

b. A summary of each witness's expected testimony.

c. A copy of all documents and exhibits that it intends to introduce into evidence at the scheduled hearing.

7. Ordering Paragraphs 1 through 7 of the Commission's Order of August 25, 1999 are hereby vacated. All other provisions of that Order remain in effect.

Done at Frankfort, Kentucky, this 8th day of October, 1999.

By the Commission

ATTEST:

  
Executive Director

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED  
SEP 21 1999  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

COVERED BRIDGE UTILITIES, INC.- RATE ADJUSTMENT ) 99-285

**COVERED BRIDGE'S RESPONSE IN OPPOSITION TO MOTION FOR FULL INTERVENTION FILED BY COUNTRYSIDE HOMEOWNER'S ASSOCIATION**

Comes Covered Bridge Utilities, Inc. ("Covered Bridge"), by counsel, and for its Response to the Motion For Full Intervention Filed by Countryside Homeowner's Association ("Countryside")<sup>1</sup>, states as follows:

Countryside seeks to intervene in this application for rate adjustment despite the fact that its members are not customers of Covered Bridge. Countryside claims that the rate that its members pay to Hayfield Utilities, Inc. ("Hayfield") is based on the commercial rate paid by Hayfield to Covered Bridge. As the Public Service Commission ("Commission") is aware, the operations of Hayfield are no longer regulated by the Commission because it no longer operates a sewage treatment plant. See Boone County Water And Sewer District v. Public Service Commission, 949 S.W.2d 588 (Ky. 1997). Accordingly, the rates that Hayfield charges to the residents of Countryside for the upkeep and maintenance of the collection system, the transportation of the sewage and wastewater and the treatment of the sewage and wastewater by Covered Bridge are not subject to review by the Commission. Hayfield can choose to set its rate for the services provided to the residents of Countryside based on factors

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<sup>1</sup>Countryside's Motion to Intervene in this matter was received by the Commission on September 8, 1999. However, Covered Bridge received notice of the Motion to Intervene purely by happenstance, because Countryside failed to provide it with notice of its filing.

that it considers to be important, such as the cost of upkeep and maintenance, the cost of repairs that have been made to the system, its debt service requirements, and its desired profit margin. Hayfield is certainly not required to base the rate charged to Countryside, solely or primarily, on the commercial rate charged it by Covered Bridge. Accordingly, the commercial rate charged Hayfield by Covered Bridge is irrelevant to the residents of Countryside, and they should not be allowed to intervene in this action. Countryside apparently recognizes that the Commission has no authority over the rates charged its members by Hayfield because it has filed an action in the Oldham Circuit Court in which it requests the Court to set the rate to be charged by Hayfield (See Countryside Homeowner's Association, et al. v. Hayfield Utilities, Inc., et al., Oldham Circuit Court, Civil Action 99-CI-00256).

Countryside also seeks to intervene, claiming that its participation is necessary in order to ensure that the issues are fully aired. However, such is not the case. No fewer than seven (7) entities have already been allowed to intervene in this case, including the Covered Bridge Farms Homeowner's Association. These parties will certainly ensure that all of the issues are fully aired. Furthermore, the Attorney General's office has also intervened in this case. Certainly the Kentucky Attorney General's office will ensure that all of the issues are properly reviewed. There is simply no need to include another intervenor in this matter, particularly when the intervenor is not a customer of Covered Bridge.

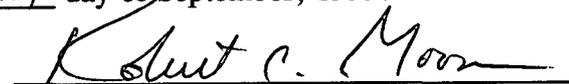
For the above stated reasons, the Motion to Intervene filed on behalf of the Countryside Homeowner's Association should be denied.



Robert C. Moore  
Hazelrigg and Cox  
P.O. Box 676  
415 West Main Street  
Frankfort, Kentucky 40602-0676  
Attorney for Covered Bridge Utilities, Inc.

### CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by first class mail, postage prepaid, on Jeffrey W. Kibbey, 121 S. Seventh Street, Ste. 100, Louisville, Kentucky 40202, Martin G. Cogan, Covered Bridge Utilities, Inc., 136 St. Matthews Avenue, Suite 300, Louisville, Kentucky 40207, Mr. Fred T. Horneffer, Senior Vice President, Bank One, Kentucky, NA, P.O. Box 32500, Louisville, Kentucky 40232-2500, Hon. Glenna J. Curry, Counsel for C&L Builders, Inc., 1900 East Mt. Zion Road, Crestwood, Kentucky 40014, Donald and Susan Roenigk, 3803 Deer Lake Circle, Prospect, Kentucky 40059, Ms. Karen M. Kueshner, 13507 Hunters View Court, Prospect, Kentucky 40059, Mr. Gerald Berman, 12024 Charlock Court, Prospect, Kentucky 40059, Hon. Frank G. Simpson, Attorney for CBFHA, et al., Simpson Law Offices, Suite 102, 11414 Main Street, Middleton, Kentucky 40234 and Hon. David E. Spenard, Assistant Attorney General, 1024 Capital Center Drive, Frankfort, Kentucky 40601-8204 on this 21st day of September, 1999.



Robert C. Moore



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602  
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(502) 564-3940  
Fax (502) 564-3460

**Ronald B. McCloud, Secretary**  
**Public Protection and**  
**Regulation Cabinet**

**Helen Helton**  
**Executive Director**  
**Public Service Commission**

**Paul E. Patton**  
**Governor**

September 13, 1999

Mr. James F. Shields  
13603 Hunter's Ridge Court  
Prospect, Kentucky 40059

Re: Case No. 99-285  
Covered Bridge Utilities, Inc.

Dear Mr. Shields:

The Commission has received your letter dated July 26 concerning the above case. Your letter is being treated as an official protest and will be placed in the case file. The Commission will carefully analyze this case before rendering its decision. Be advised that the effect of the rate increase cannot yet be determined as the increase originally proposed by Covered Bridge Utilities, Inc. is not necessarily what may be ordered in the Commission's final decision.

If you wish to participate in the proceeding, including any hearing that may be held, you must file a motion to intervene with the Commission. Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with Helen C. Helton, the Commission's Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you further. You may contact them at (502) 696-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in this matter.

Sincerely,

Stephanie Bell  
Secretary of the Commission

hv  
Enclosure



JEFFREY W. KIBBEY  
ATTORNEY AT LAW  
121 S. SEVENTH, STE. 100  
LOUISVILLE, KENTUCKY 40202

TELEPHONE (502) 584-5955  
FACSIMILE (502) 581-1203

September 7, 1999

RECEIVED  
SEP 08 1999  
PUBLIC SERVICE  
COMMISSION

Hon. Helen C. Helton  
Executive Director, Public Service Comm'n.  
730 Schenkel Lane  
P. O. Box 615  
Frankfort, KY 4602

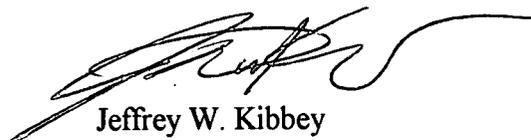
RE: COUNTRYSIDE HOMEOWNER'S ASSOCIATION

Dear Ms. Helton:

Enclosed, please find four (4) original copies of the Motion to Intervene filed by Countryside Homeowner's Association for consideration by the Public Service Commission. Please cause this document to be filed at your convenience.

Thank you for your assistance in this matter. Please contact me if you require further information.

Very Truly Yours,



Jeffrey W. Kibbey

CC: Carroll F. Cogan  
Countryside Homeowner's Assoc.

**BEFORE THE PUBLIC SERVICE COMMISSION**

RECEIVED

SEP 08 1999

PUBLIC SERVICE  
COMMISSION

IN RE: APPLICATION BY COVERED BRIDGE  
UTILITIES, INC. FOR RATE ADJUSTMENT  
PURSUANT TO 807 KAR 5:076

)  
)  
)  
)  
)

NO. 99-285

**MOTION FOR FULL INTERVENTION**  
**FILED BY COUNTRYSIDE HOMEOWNER'S ASSOCIATION**

Comes the Movant, Countryside Homeowner's Association, by counsel, and respectfully shows as follows:

1. The Movant, Countryside Homeowner's Association ("Countryside"), is an incorporated homeowner's association recognized by and affecting the homeowner's in Countryside Subdivision, Prospect Kentucky.
2. Covered Bridge Utilities, Inc. ("Covered Bridge") is a private corporation serving as sewer provider for Covered Bridge Subdivision, and is subject to the jurisdiction of this body.
3. In 1997, Covered Bridge petitioned the Public Service Commission to approve a rate increase pursuant to KRS Chapter 278. Said petition requested approval of an increase in then-current monthly charge to customers of Covered Bridge, and also contemplated a rate for future treatment of wastewater flowing from residents of Countryside Subdivision.
4. By Order of the Commission in that rate adjustment case dated October 9, 1998, Covered Bridge was required to file a new rate application to establish an initial rate to charge for treatment of wastewater flowing from Countryside Subdivision. Covered Bridge has filed such application, and Countryside hereby moves for Full Intervention for the purpose of investigating and

reviewing the rate proposed by Covered Bridge and ultimately paid by the residents of Countryside Subdivision.

5. The Movant is entitled to Full Intervention for the following reasons:

a. The Movant, representing its resident landowners, have a legitimate and protectible interest in any and all orders of this Commission which affect collection and/or treatment of its wastewater and the charges levied in connection therewith. Such wastewater is being treated by Covered Bridge, and is being charged to Hayfield Utilities, Inc. ("Hayfield). Hayfield is then attempting to pass this cost directly to the residents of Countryside by virtue of an increase in its charges. The primary basis of charges to Countryside is the cost of treatment by Covered Bridge. (See Exhibit A). Indeed, Hayfield states that it requires an increase in its service charges primarily because it must pay Covered Bridge to treat the wastewater, and that the residents of Countryside must bear that cost. Thus, the cost charged to Hayfield has a direct and substantial bearing on the cost of wastewater services for Countryside, and the residents of Countryside should be given a voice in any rate-setting procedure. The Public Service Commission will benefit from input from all parties affected by the petition for rate increase, and by giving all parties a voice in the matter, the Commission can reach a fair and equitable decision.

b. The Public Service Commission should also have the benefit of input and review from non-related parties in order to reach a fair and equitable decision. Covered Bridge is owned and operated in large part by Martin Cogan. Hayfield is owned and operated in large part by Carroll Cogan, who is Martin Cogan's father. Because these entities are owned in large part by closely-related family members, the Commission should grant Full Intervention in order to introduce unbiased review and unbiased evidence on a proper rate. Otherwise, this is a case of "one hand feeding the other" - Mr. Cogan the younger sets a rate, and Mr. Cogan the elder accepts it without substantial protest, and

passes on the cost to Countryside residents. Ultimately, it is the residents of Countryside who pay the fees - and without intervention, the opportunity for abuse is unjustifiably great.

c. Countryside residents must have a forum in which to address the costs that are charged for their wastewater treatment services. Hayfield hangs its hat on its obligation to pay Covered Bridge the rate charged by Covered Bridge for treatment, yet has not protested that rate in any meaningful fashion nor, on information and belief, has it properly investigated the basis of the rate increase. Thus, the rate increase is unchecked by an unbiased party. Further, Covered Bridge is currently named as a Defendant in Oldham Circuit Court Civil Action No. 99CI00256, Countryside Homeowner's Assoc., et al., v. Hayfield Utilities, Inc., et al. (hereinafter referred to as the "Circuit Court Action") in an attempt to allow Countryside to investigate the charges imposed on Hayfield by Covered Bridge. Covered Bridge is vigorously pursuing dismissal from that case. Thus, Countryside may only have the opportunity to address the underlying costs of its wastewater treatment through intervention in this action. And, ultimately, it is the Countryside residents who bear the cost of treatment, and they should accordingly have an opportunity to address the Commission.

6. While there exists no case law to guide the Commission for review of this Motion, general rules of intervention provide a framework for analysis. Generally, intervention is proper when the interest of the intervenor is not adequately represented by other parties. United States v. High Country Broadcasting Co., Inc., 3 F3d 1244 (9th Cir. 1993), *cert denied* 115 S.Ct. 93 (1993). In this case, Hayfield cannot reasonably be expected to protect the interest of Countryside because (1) Hayfield ultimately passes through any cost it pays to Covered Bridge and therefore has a lessened interest in protesting any rate increase, and (2) the entities are too closely related in ownership to expect reasonably objective review of the Covered Bridge increase.

Furthermore, intervention is required when disposition of the claim will, as a practical matter, impair the ability of the intervenor to protect his interest in the litigation. Id. In this case, as a practical matter, Countryside is otherwise without a forum to address the costs of wastewater treatment, as this body retains jurisdiction to hear all rate matters, and Covered Bridge is vigorously pursuing release from the Circuit Court Action. By granting full intervention, the Commission is only providing Countryside with a reasonable opportunity to investigate and review the charges it ultimately pays for treatment of its wastewater.

**REQUEST FOR FULL INTERVENTION AND FULL HEARING**

7. For these reasons, the Movant asks that this body grant Full Intervention to Countryside, and schedule and hold a full hearing on the matters alleged herein.

**WHEREFORE**, the Movant asks as follows:

- A. For an Order granting Full Intervention to Countryside Homeowner's Association in the within action.
- C. For an Order setting a full hearing on this matter, where all interested parties, including the Movants, be allowed to be heard and present evidence.
- D. For any and all other relief to which the Movant may appear entitled.

Dated at Prospect, Kentucky on this 7th day of September, 1999.

  
\_\_\_\_\_  
JEFFREY W. KIBBEY  
121 S. Seventh St., Ste. 100  
Louisville, KY 40202  
(502) 584 - 5955  
(502) 581 - 1203 (Fax)  
Attorney for Countryside Homeowner's Assoc.

**BEFORE THE PUBLIC SERVICE COMMISSION**

IN RE: APPLICATION BY COVERED BRIDGE )  
UTILITIES, INC. FOR RATE ADJUSTMENT )  
PURSUANT TO 807 KAR 5:076 ) NO. 99-285  
)

**ORDER GRANTING INTERVENTION**

This matter having come before the Commission on Motion for Full Intervention, the Commission having considered the Motion, and the Commission being otherwise sufficiently advised,

**IT IS HEREBY ORDERED** that Countryside Homeowner's Association is hereby granted FULL INTERVENTION pursuant to statute and regulation, and shall be a party to this proceeding.

**IT IS FURTHER ORDERED** that all motions, pleadings, documents, papers and other filings shall be provided to counsel for Countryside Homeowner's Association, and that service all papers, motions and other filings shall be made upon said counsel.

PUBLIC SERVICE COMMISSION

BY: \_\_\_\_\_

DATE: \_\_\_\_\_

TENDERED BY:

  
JEFFREY W. KIBBEY  
121 S. SEVENTH ST., STE. 100  
LOUISVILLE, KY 40202  
(502) 584 - 5955



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602  
www.psc.state.ky.us  
(502) 564-3940  
Fax (502) 564-1582

**Ronald B. McCloud, Secretary**  
**Public Protection and**  
**Regulation Cabinet**

**Paul E. Patton**  
**Governor**

**Helen Helton**  
**Executive Director**  
**Public Service Commission**

September 7, 1999

Robert C. Moore, Esq.  
P.O. Box 676  
Frankfort, Kentucky 40602

Glenna J. Curry, Esq.  
1900 East Mt. Zion Road  
Crestwood, Kentucky 40014

Frank G. Simpson, Esq.  
Suite 102  
11414 Main Street  
Middletown, Kentucky 40243

David Spenard, Esq.  
Assistant Attorney General  
1024 Capital Center Drive  
Frankfort, KY. 40601-8204

Re: Case No. 99-285  
Covered Bridge Utilities, Inc.

Dear Ms. Curry and Gentlemen:

The enclosed memorandum has been filed in the record of the above-referenced case. Any comments regarding the contents of this memorandum should be submitted to the Commission within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Gerald Wuetcher, Commission counsel, at (502) 564-3940, Extension 259.

Sincerely,

Helen C. Helton  
Executive Director

gw  
Enclosure  
cc: Parties of Record



**INTRA-AGENCY MEMORANDUM**  
**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File No. 99-285  
**FROM:** Gerald Wuetcher *GW*  
Staff Attorney  
**DATE:** September 7, 1999  
**RE:** Conference of September 7, 1999

**FILED**  
SEP 07 1999  
PUBLIC SERVICE  
COMMISSION

On September 7, 1999, the Commission held an informal conference in this case at the Commission's offices in Frankfort, Kentucky. Present were:

|                    |   |                            |
|--------------------|---|----------------------------|
| Marty Cogan        | - | Covered Bridge Utilities   |
| Rob Moore          | - | Covered Bridge Utilities   |
| Frank Simpson      | - | Homeowners Associations    |
| Jody Curry         | - | C&L Builders               |
| David Spenard      | - | Office of Attorney General |
| Rene Curry         | - | Commission Staff           |
| Mark Frost         | - | Commission Staff           |
| Dennis Jones       | - | Commission Staff           |
| Jack Scott Lawless | - | Commission Staff           |
| James D. Rice      | - | Commission Staff           |
| George Wakim       | - | Commission Staff           |
| Gerald Wuetcher    | - | Commission Staff           |

The Commission, on its own motion, ordered that the conference be convened.

Beginning the conference, Mr. Wuetcher stated that Commission Staff would prepare minutes of the conference for the case record, that a copy of these minutes would be provided to all parties, and that all parties would be given an opportunity to submit written comments upon those minutes.

Mr. Moore stated that Covered Bridge Utilities, Inc. ("Covered Bridge") wished to amend its application to eliminate the proposed increase in the utility's current residential rate. He stated that Covered Bridge had filed its proposed rate adjustment in accordance with its Settlement Agreement with Commission Staff in Case No. 99-079 and that, while the utility's proposed rates reflected its current operating conditions, the utility wished to direct this proceeding's attention solely to its contract rate to Hayfield Utilities, Inc. ("Hayfield Utilities").

Mr. Simpson, appearing on behalf of the Covered Bridge Farms Homeowners' Association, The Meadows at Covered Bridge Homeowners' Association, and The Estates of Hunting Creek Section 7 Homeowners' Association, stated that his clients did

Case No. 99-285  
Page 2  
September 7, 1999

not object to the proposed action. He stated, however, that his clients oppose any rate that subsidizes Hayfield Utilities and its customers. More specifically, they oppose any rate for Hayfield Utilities that would on a per customer basis be lower than Covered Bridge's residential rate. Ms. Curry stated that her client shared these views.

Mr. Moore stated that Covered Bridge did not intend to subsidize Hayfield Utilities' customers. To resolve a suit currently pending before Oldham Circuit Court that the its customers had brought, Hayfield Utilities had proposed to charge its customers a monthly rate of \$49.48, but to place \$16.78 of the amount in escrow pending the suit's resolution. He stated that it was the intention of Covered Bridge and Hayfield Utilities that the rate for Hayfield Utilities customers be no lower than that for Covered Bridge customers.

Mr. Spenard stated that the Attorney General did not object to Covered Bridge's proposal, but reserved his right to make comments upon Commission Staff findings or recommendations regarding Covered Bridge's proposed rates. Mr. Wuetcher stated that Commission Staff had no objections to the Covered Bridge's proposal to amend its application. He stated that Commission Staff, however, would still examine the utility's entire operations as part of its review.

The participants agreed to the following changes in the procedural schedule:

- Commission Staff will examine the utility's records on September 20, 1999 and issue its written report by November 17, 1999.
- Any requests for information from Commission Staff will be by Commission Order.
- Following issuance of the Commission Staff Report, the parties may issue one set of discovery requests and then will submit comments upon the Commission Staff Report.
- An informal conference and hearing will follow the submission of these comments.
- A hearing in this matter will be rescheduled to January 2000 but may be cancelled if the parties reach a settlement.

The conference then adjourned.

cc: Parties of Record

Commonwealth of Kentucky  
Before the Public Service Commission

REC

AUG 13 1999

PUBLIC SERVICE  
COMMISSION

In the Matter of: )  
THE ALTERNATIVE RATE FILING ) Case No. 99-285  
OF COVERED BRIDGE UTILITIES, INC. )

MOTION TO INTERVENE

Comes now the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, pursuant to KRS 367.150(8), and moves to intervene in the above-styled proceeding. The Attorney General requests that he be permitted to intervene as a party to the fullest extent permitted by law in order to execute his statutory duties pursuant to KRS 367.150(8).

Respectfully submitted,

A. B. CHANDLER III  
ATTORNEY GENERAL

*David Edward Spenard*  
David Edward Spenard  
Assistant Attorney General  
1024 Capital Center Drive  
Frankfort, KY 40601-8204  
502.696.5457

*Certificate of Service and Filing*

Counsel certifies that an original and ten photocopies of this Motion to Intervene were served and filed by hand delivery to the Hon. Helen C. Helton, Executive Director, Public Service Commission 730 Schenkel Lane, Frankfort, Kentucky 40601; furthermore, it was served by mailing a true and correct copy of the same, first class postage prepaid, to Martin G. Cogan, 136 St. Matthews Avenue, Suite 300, Louisville, KY 40207, Robert C. Moore, Hazelrigg and Cox, P. O. Box 676, Frankfort, KY 40602 0676, Fred T. Horneffer, P. O. Box 32500, Louisville, KY. 40232 2500, Glenna J. Curry, C & L Builders, Inc., 1900 East Mt. Zion Road, Crestwood, KY. 40014, Donald Roenigk and Susan Roenigk, 3803 Deer Lake Circle, Prospect, KY. 40059, Karen M. Kueshner, 13507 Hunters View Court, Prospect, KY. 40059, Gerald Berman, 12024 Charlock Court, Prospect, KY. 40059, and Frank G. Simpson, Simpson Law Offices Suite 102, 11414 Main Street, Middletown, KY. 40234, all on this 13<sup>th</sup> day of August, 1999.

David Edward Spemann  
Assistant Attorney General



COMMONWEALTH OF KENTUCKY  
PUBLIC SERVICE COMMISSION  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602  
www.psc.state.ky.us  
(502) 564-3940  
Fax (502) 564-3460  
September 1, 1999

Ronald B. McCloud, Secretary  
Public Protection and  
Regulation Cabinet

Helen Helton  
Executive Director  
Public Service Commission

Paul E. Patton  
Governor

Mr. James Fields  
13603 Hunter's Ridge Court  
Prospect, Kentucky 40059

RE: Case No. 99-285  
Covered Bridge Utilities, Inc.

Dear Mr. Fields:

The Commission has received your letter stamp dated August 2 concerning the above case. Your letter is being treated as an official protest and will be placed in the case file. The Commission will carefully analyze this case before rendering its decision. Be advised that the effect of the rate increase cannot yet be determined as the increase originally proposed by Covered Bridge Utilities, Inc. is not necessarily what may be ordered in the Commission's final decision.

If you wish to participate in the proceeding, including any hearing that may be held, you must file a motion to intervene with the Commission. Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with Helen C. Helton, the Commission's Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you further. You may contact them at (502) 695-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in that matter.

tdw  
Enclosure

Sincerely,

  
Stephanie Bell  
Secretary of the Commission



AN EQUAL OPPORTUNITY EMPLOYER M/F/D



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**

730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

August 25, 1999

To: All parties of record

RE: Case No. 99-285

We enclose one attested copy of the Commission's Order in  
the above case.

Sincerely,

A handwritten signature in black ink that reads "Stephanie Bell".

Stephanie Bell  
Secretary of the Commission

SB/hv  
Enclosure

Martin G. Cogan  
Covered Bridge Utilities, Inc.  
136 St. Matthews Avenue, Suite 300  
Louisville, KY 40207

Honorable Frank G. Simpson  
Attorney for CBFHA, et al.  
Simpson Law Offices  
Suite 102  
11414 Main Street  
Middletown, KY 40234

Honorable Robert C. Moore  
Attorney at Law  
Hazelrigg and Cox  
415 West Main Street  
P. O. Box 676  
Frankfort, KY 40602 0676

Honorable David E. Spenard  
Assistant Attorney General  
1024 Capital Center Drive  
Frankfort, KY 40601 8204

Mr. Fred T. Horneffer  
Senior Vice President  
Bank One, Kentucky, NA  
P. O. Box 32500  
Louisville, KY 40232 2500

Honorable Glenna J. Curry  
Counsel for C & L Builders, Inc.  
1900 East Mt. Zion Road  
Crestwood, KY 40014

Mr. Donald Roenigk  
Ms. Susan Roenigk  
3803 Deer Lake Circle  
Prospect, KY 40059

Ms. Karen M. Kueshner  
13507 Hunters View Court  
Prospect, KY 40059

Mr. Gerald Berman  
12024 Charlock Court  
Prospect, KY 40059

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COVERED BRIDGE UTILITIES, )  
INC. FOR AN ADJUSTMENT OF RATES PURSUANT ) CASE NO.  
TO THE ALTERNATIVE RATE FILING PROCEDURE ) 99-285  
FOR SMALL UTILITIES )

ORDER

Finding that a procedural schedule should be established to ensure the orderly review of the application of Covered Bridge Utilities, Inc. ("Covered Bridge"), the Commission, on its own motion, HEREBY ORDERS that:

1. A formal hearing in this matter shall be held on December 16, 1999 at 9:00 a.m., Eastern Standard Time, in Hearing Room 2 of the Commission's offices at 677 Comanche Trail, Frankfort, Kentucky, and continuing until completed.

2. An informal conference shall be held on September 7, 1999 at 10:30 a.m., Eastern Daylight Time, in Conference Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, to discuss discovery procedures, the simplification of issues, and any other matters which may aid in the handling of disposition of these proceedings.

3. Each party may, on or before September 22, 1999, serve upon any other party an initial request for production of documents and written interrogatories to be answered by the party served within 14 days of service.

4. Each party may, on or before October 20, 1999, serve upon any other party a supplemental request for production of documents and written interrogatories to be answered by the party served within 14 days of service.

5. Commission Staff shall review Covered Bridge's records and shall, no later than November 17, 1999, file with the Commission a written report of its findings and recommendations on the proposed rate adjustment.

6. Within 14 days of the date of the filing of the Commission Staff Report, all parties shall carefully review the report and file with the Commission their written comments on the report. In these comments, each party shall specifically identify those findings and/or recommendations to which it objects. Failure to object to a finding shall be considered as an admission of that finding.

7. Each party shall file, no later than December 9, 1999, an original and 8 copies of the following with the Commission and serve a copy upon each party of record:

a. A list of the names and addresses of all persons that it intends to call as witnesses at the formal hearing.

b. A summary of the each witness's expected testimony.

c. A copy of all documents and exhibits that it intends to introduce into evidence at the scheduled hearing.

8. Copies of all documents served upon any party shall be served upon all other parties and filed with the Commission.

9. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

10. To be timely filed with the Commission, a document must be received by the Secretary of the Commission within the specified time for filing except that any document shall be deemed timely filed if it has been transmitted by United States express mail, or by other recognized mail carriers, with the date the transmitting agency received said document from the sender noted by the transmitting agency on the outside of the container used for transmitting, within the time allowed for filing.

11. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

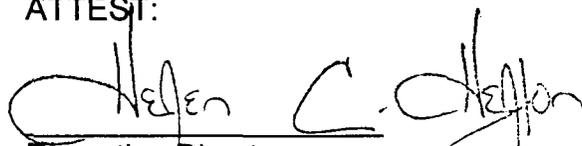
12. Covered Bridge shall make available to Commission Staff for inspection all books, accounts, papers and records of its operations.

13. Covered Bridge shall, upon the request of Commission Staff, produce at its own expense and provide to Commission Staff verified copies of any books, accounts, papers and records of its operations.

Done at Frankfort, Kentucky, this 25th day of August, 1999.

By the Commission

ATTEST:

  
Executive Director

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED  
AUG 24 1999  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

COVERED BRIDGE UTILITIES, INC.- RATE ADJUSTMENT ) 99-285

FILING OF WRITTEN STATEMENT

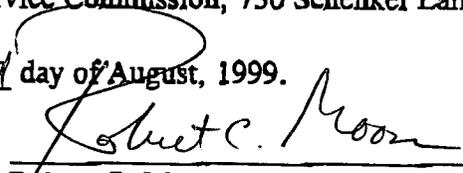
Marty Cogan, the president of Covered Bridge Utilities, Inc., hereby verifies that the attached notice of application for rate adjustment was mailed to the customers of Covered Bridge Utilities, Inc. in accordance with KRS 278.185.

  
Marty Cogan

  
Robert C. Moore  
Hazelrigg and Cox  
P.O. Box 676  
415 West Main Street, 1<sup>st</sup> Floor  
Frankfort, Kentucky 40602-0676  
Attorney for Covered Bridge Utilities, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by first class mail, postage prepaid, on Richard Raff, Public Service Commission, 730 Schenkel Lane, P.O. Box 615, Frankfort, Kentucky 40602 on this 2nd day of August, 1999.

  
Robert C. Moore

Covered Bridge Utilities, Inc.  
136 St. Matthews Ave. Su #300  
Louisville, KY 40207-3191

Ph # 899-5051 & 899-1950

To Customers:

Covered Bridge Utilities, Inc. is filing a sewer rate review petition with the KY Public Service Commission. The existing and the new proposed sewer rates are as follows.

| Existing | Proposed | Percent Increase |
|----------|----------|------------------|
| 40.05    | 96.24    | 140.30%          |

The rates contained in this notice are the rates proposed by Covered Bridge Utilities, Inc. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates included in this notice.

Intervention:

Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate changes is given.

The motion shall be submitted to the Public Service Commission, 730 Schenkel Lane, P. O. Box 615, Frankfort, Kentucky, 40602, and shall set forth the grounds for the request including the status and interest of the party.

Upon request from an intervenor, whose request for intervention has been granted, a copy of the application with supporting documents and annual reports will be provided. Apply in writing to Covered Bridge Utilities, Inc., 136 St. Matthews Ave. Suite #300, Louisville, KY 40207.

Covered Bridge Utilities, Inc.



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**

730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

August 19, 1999

To: All parties of record

RE: Case No. 99-285

We enclose one attested copy of the Commission's Order in  
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell  
Secretary of the Commission

SB/hv  
Enclosure

Martin G. Cogan  
Covered Bridge Utilities, Inc.  
136 St. Matthews Avenue, Suite 300  
Louisville, KY 40207

Honorable Frank G. Simpson  
Attorney for CBFHA, et al.  
Simpson Law Offices  
Suite 102  
11414 Main Street  
Middletown, KY 40234

Honorable Robert C. Moore  
Attorney at Law  
Hazelrigg and Cox  
415 West Main Street  
P. O. Box 676  
Frankfort, KY 40602 0676

Honorable David E. Spenard  
Assistant Attorney General  
1024 Capital Center Drive  
Frankfort, KY 40601 8204

Mr. Fred T. Horneffer  
Senior Vice President  
Bank One, Kentucky, NA  
P. O. Box 32500  
Louisville, KY 40232 2500

Honorable Glenna J. Curry  
Counsel for C & L Builders, Inc.  
1900 East Mt. Zion Road  
Crestwood, KY 40014

Mr. Donald Roenigk  
Ms. Susan Roenigk  
3803 Deer Lake Circle  
Prospect, KY 40059

Ms. Karen M. Kueshner  
13507 Hunters View Court  
Prospect, KY 40059

Mr. Gerald Berman  
12024 Charlock Court  
Prospect, KY 40059

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COVERED BRIDGE UTILITIES )  
FOR AN ADJUSTMENT OF RATES PURSUANT ) CASE NO.  
TO THE ALTERNATIVE RATE FILING PROCEDURE ) 99-285  
FOR SMALL UTILITIES )

O R D E R

This matter arising upon the motion of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), filed August 12, 1999, pursuant to KRS 367.150(8), for full intervention, such intervention being authorized by statute, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that the motion is granted and the Attorney General is hereby made a party to these proceedings.

Done at Frankfort, Kentucky, this 19th day of August, 1999.

By the Commission

ATTEST:

  
Executive Director

July 26, 1999

Ms. Helen Helton  
Executive Director, Public Service Commission  
730 Shenkel Lane  
P.O. Box 615  
Frankfort, KY 40602

RECEIVED

AUG 02 1999

PUBLIC SERVICE  
COMMISSION

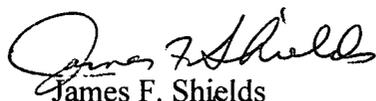
Dear Ms. Helton:

I am writing to express my opposition to the proposed increase on sewer rates by Covered Bridge Utilities. I am a resident of Hunter's Ridge subdivision and would be directly effected by this increase. I cannot express my dismay enough over this situation. The proposed increase would place our rates tremendously higher than other sewer rates in our area, and there is little that I can personally do to effect the situation. I am caught in a situation where a service is mandated and monopolized by this company. Further, from reading newspaper accounts of this and similar situations with these same owners, there appears to be a political issue in which I am becoming an unwilling participant. This refers to the attempts of Oldham County to purchase Covered Bridge Utilities and the inability of the involved parties to come to agreeable terms.

Regardless of the specific circumstances, I have no direct recourse in this matter. I am relying on your organization to look out for my welfare. The requested increase is completely unreasonable and inflammatory and your organization needs to dismiss the proposed increase. Otherwise, I will be paying a severe financial penalty while being bogged down as the political process continues. I hope your organization will consider the individuals who are embroiled in a situation that we cannot escape.

Thank you for your time and consideration to this matter.

Sincerely,



James F. Shields  
13603 Hunter's Ridge Court  
Prospect, KY 40059



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**

730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

August 2, 1999

To: All parties of record

RE: Case No. 99-285

We enclose one attested copy of the Commission's Order in  
the above case.

Sincerely,  
*Stephanie Bell*

Stephanie Bell  
Secretary of the Commission

SB/hv  
Enclosure

• Martin G. Cogan  
Covered Bridge Utilities, Inc.  
136 St. Matthews Avenue, Suite 300  
Louisville, KY 40207

Honorable Frank G. Simpson  
Attorney for CBFHA, et al.  
Simpson Law Offices  
Suite 102  
11414 Main Street  
Middletown, KY 40234

Honorable Robert C. Moore  
Attorney at Law  
Hazelrigg and Cox  
415 West Main Street  
P. O. Box 676  
Frankfort, KY 40602 0676

Mr. Fred T. Horneffer  
Senior Vice President  
Bank One, Kentucky, NA  
P. O. Box 32500  
Louisville, KY 40232 2500

Honorable Glenna J. Curry  
Counsel for C & L Builders, Inc.  
1900 East Mt. Zion Road  
Crestwood, KY 40014

Mr. Donald Roenigk  
Ms. Susan Roenigk  
3803 Deer Lake Circle  
Prospect, KY 40059

Ms. Karen M. Kueshner  
13507 Hunters View Court  
Prospect, KY 40059

Mr. Gerald Berman  
12024 Charlock Court  
Prospect, KY 40059

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                      |   |          |
|--------------------------------------|---|----------|
| APPLICATION OF COVERED BRIDGE        | ) |          |
| UTILITIES, INC. FOR AN ADJUSTMENT OF | ) | CASE NO. |
| RATES PURSUANT TO THE ALTERNATIVE    | ) | 99-285   |
| RATE FILING PROCEDURE FOR SMALL      | ) |          |
| UTILITIES                            | ) |          |

O R D E R

This matter arising upon the motion of Fred T. Horneffer, C & L Builders, Donald and Susan Roenigk, Karen Kueshner, Gerald Berman, Covered Bridge Farms Homeowners' Association, The Meadows at Covered Bridge Homeowners' Association, and The Estates of Hunting Creek Section 7 Homeowners' Association (hereinafter referred to collectively as "Petitioners") for full intervention, and it appearing to the Commission that Petitioners have a special interest which is not otherwise adequately represented, and that such intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that:

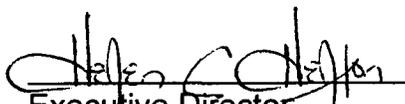
1. The motions of Petitioners to intervene are granted.
2. Each Petitioner shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order.

3. Should any Petitioner file documents of any kind with the Commission in the course of these proceedings, said Petitioner shall also serve a copy of said documents on all other parties of record.

Done at Frankfort, Kentucky, this 2nd day of August, 1999.

By the Commission

ATTEST:

  
Executive Director

99-285

Gerald Berman  
12024 Charlock Court  
Prospect, KY 40059  
July 16, 1999

RECEIVED  
JUL 21 1999  
PUBLIC SERVICE  
COMMISSION

Public Service Commission  
730 Schankel Lane  
P.O. Box 615  
Frankfurt, KY 40602

Re: Proposed Sewer Rate Increase of Covered Bridge Utilities, Inc.

Dear Madam/Sir:

As a customer of Covered Bridge Utilities, Inc., I wish to intervene in their motion for a 140.30% rate increase. Please notify me about any scheduled hearing or ruling related to this rate increase request.

Thank you.

Sincerely,



Gerald Berman

FRANK G. SIMPSON, III  
ATTORNEY AT LAW

---

Suite 102  
11414 Main Street  
Middletown, Kentucky 40243

(502) 329-0265  
Fax: (502) 244-1811  
EMail: fgs@rumpole.win.net

July 22, 1999

Public Service Commission  
730 Schenkel Lane  
Frankfort, KY 40602

RECEIVED

JUL 23 1999

PUBLIC SERVICE  
COMMISSION

Re: Rate Case #99-285

Dear Sir or Madam:

Enclosed for filing please find an original and eleven copies of the Motion to Intervene of Covered Bridge Farms Homeowners' Association, The Meadows at Covered Bridge Homeowners' Association, and Estates of Hunting Creek Section 7 Homeowners' Association in the above case.

Please return a stamped copy as receipt notice at your convenience. Thank you for your consideration.

Sincerely,



Frank G. Simpson III

**BEFORE THE PUBLIC SERVICE COMMISSION**

RECEIVED  
JUL 23 1999  
PUBLIC SERVICE  
COMMISSION

IN RE: PROPOSED RATE INCREASE AFFECTING )  
THE NEIGHBORHOODS OF )  
COVERED BRIDGE FARMS, THE )  
MEADOWS AT COVERED BRIDGE, AND )  
ESTATES OF HUNTING CREEK SECTION 7 )  
PROSPECT, KENTUCKY )  
) NO. 99-285  
COVERED BRIDGE UTILITIES, INC., Servicer )  
)  
)  
)  
\_\_\_\_\_ )

**MOTION FOR FULL INTERVENTION**

Come the Movants, Covered Bridge Farms Homeowners' Association, The Meadows at Covered Bridge Homeowners' Association, and The Estates of Hunting Creek Section 7 Homeowners' Association, by and through their designated officers, and by counsel, and respectfully shows that:

1. Movant, Covered Bridge Farms Homeowner's Association, is an association recognized by, representing and affecting the homeowners in Covered Bridge Farms Subdivision, Prospect, Kentucky, and acts through its duly elected President and Agent, Richard Jenkins.
2. Movant, The Meadows at Covered Bridge Homeowners' Association, is an association recognized by, representing and affecting the homeowners in The Meadows at Covered Bridge Subdivision, Prospect, Kentucky, and acts through its duly elected President and Agent, Sherman Bedford.
3. Movant, The Estates of Hunting Creek Section 7 Homeowners' Association, is an association recognized by, representing and affecting the homeowners in

The Estates of Hunting Creek Section 7 Subdivision, Prospect, Kentucky, and acts through its duly elected President and Agent, Robert Schiavone.

4. Covered Bridge Utilities, Inc. is a private corporation serving as sewer provider for Covered Bridge Farms Subdivision, The Meadows at Covered Bridge and The Estates of Hunting Creek Section 7 and is subject to the jurisdiction of this body.
5. In July, 1999, Covered Bridge Utilities, Inc. petitioned the Public Service Commission to approve a rate increase pursuant to KRS Chapter 278.
6. Said petition requested approval of an increase in excess of one hundred and forty percent (140%) of the current monthly charge to customers, said charge having been within the last year raised from approximately \$14.00 a month to approximately \$40.00 a month by a previous rate increase application. The current application seeks another increase to approximately \$96.00 a month to individual customers.
7. The Movants, are or will be affected by any action taken by this body in regard to said petition by Covered Bridge Utilities, Inc., and have a direct and protectable interest in the subject matter of said petition.
8. The Movants alleges as follows:
  - A. That the rate increase requested by Covered Bridge Utilities, Inc. is unreasonable and excessive, and will result in unreasonable and excessive charges to customers in violation of KRS Chapter 278, 807 KAR 5:001, et seq., and other laws, statutes and regulations

concerning this subject matter, and is otherwise unreasonable and excessive.

- B. The increase proposed by Covered Bridge Utilities, Inc., will result in an unreasonable and excessive return on said company's investment, and constitutes an excess increase in violation of KRS Chapter 278, 807 KAR 5:001, et seq., and other laws, statutes and regulations concerning this subject matter, and is otherwise unreasonable and excessive.
- C. Covered Bridge Utilities, Inc. has failed to provide proper Notice of its petition for increase, in violation of 807 KAR 5:001, Sec. 10(3), to-wit, Covered Bridge Utilities, Inc. has failed to properly notify customers of their right to examine rate applications and all other filings made by the provider, thus rendering said Notice insufficient, invalid and otherwise ineffective, and further rendering its petition for increase likewise insufficient, invalid and otherwise ineffective.
- D. The increase sought by Covered Bridge Utilities, Inc. is unreasonable and excessive because it constitutes a charge for services not rendered to the Movants and individual property owners within the aforesaid subdivisions.
- E. The increase sought by Covered Bridge Utilities, Inc. is unreasonable and excessive because service to the Movants and individual property owners within the aforesaid subdivisions is inadequate, unsafe, unsanitary, unclean, in violation of law, and otherwise insufficient, and

is currently under an enforcement action before the Franklin Circuit Court.

9. For these reasons, the Movants ask that this body schedule and hold a full hearing on the petition for rate increase filed by Covered Bridge Utilities, and that all interested parties be allowed to be heard. Movants further request that a discovery schedule be entered prior to the setting of any hearing date.
10. For these reasons, the Movant asks that this body enjoin Covered Bridge Utilities, Inc. from imposing, collecting or otherwise enforcing any rate increase until such time as this body has rendered a decision on the propriety of the requested rate increase.
11. For these reasons, the Movants request leave for Full Intervention pursuant to all applicable laws and regulations.

WHEREFORE, the Movants ask as follows:

- A. For an Order granting the Movant, Covered Bridge Farms Homeowners' Association, The Meadows at Covered Bridge Homeowners' Association, and The Estates at Hunting Creek Section 7 Homeowners' Association Full Intervention into this proceeding.
- B. For an Order dismissing the petition for rate increase filed by Covered Bridge Utilities, Inc., for failure to provide adequate Notice to its customers.
- C. In the alternative, for an Order setting a full hearing on this matter, where all interested parties, including the Movants, be allowed to be heard and present evidence.

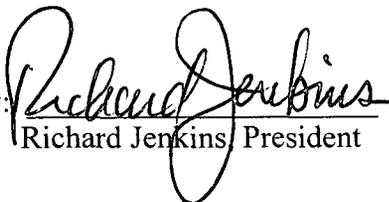
- D. For an Order enjoining Covered Bridge Utilities, Inc. from imposing, collecting or otherwise enforcing any rate increase until such time as this body has rendered a decision on the propriety of the requested rate increase.
- E. For an Order establishing a discovery schedule for the taking of evidence prior to final hearing.
- F. For a Final Order denying the petition for rate increase filed by Covered Bridge Utilities, Inc.
- G. For any and all other relief to which they may appear entitled.

Dated this 22 day of July, 1999.



FRANK G. SIMPSON III  
Simpson Law Offices  
Suite 102  
11414 Main Street  
Middletown, Kentucky 40234  
(502) 329-0265  
Fax (502) 244-1811  
Attorney for Covered Bridge Farms  
Homeowners' Association, The  
Meadows at Covered Bridge  
Homeowners' Association, and The  
Estates at Hunting Creek Section 7  
Homeowners' Association

**COVERED BRIDGE HOMEOWNER'S ASSOC.**

By:   
Richard Jenkins, President

**THE MEADOWS AT COVERED BRIDGE HOMEOWNERS' ASSOC.**

By:   
Sherman Bedford, President

**THE ESTATES OF HUNTING CREEK SECTION 7 HOMEOWNERS' ASSOC.**

By:   
Robert Schiavone, President



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602  
www.psc.state.ky.us  
(502) 564-3940  
Fax (502) 564-3460

**Ronald B. McCloud, Secretary**  
**Public Protection and**  
**Regulation Cabinet**

**Helen Helton**  
**Executive Director**  
**Public Service Commission**

**Paul E. Patton**  
**Governor**

July 21, 1999

Mr. Robert E. Wyllie  
Ms. Penny Wyllie  
13605 Hunters Ridge Court  
Goshen, KY 40059

RE: Case No. 99-285  
Covered Bridge Utilities, Inc.

Dear Mr. and Ms. Wyllie:

The Commission has received your letter stamp dated July 16 concerning the above case. Your letter is being treated as an official protest and will be placed in the case file. The Commission will carefully analyze this case before rendering its decision. Be advised that the effect of the rate increase cannot yet be determined as the increase originally proposed by Covered Bridge Utilities, Inc. is not necessarily what may be ordered in the Commission's final decision.

If you wish to participate in the proceeding, including any hearing that may be held, you must file a motion to intervene with the Commission. Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with Helen C. Helton, the Commission's Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you further. You may contact them at (502) 695-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in that matter.

Sincerely,

Stephanie Bell  
Secretary of the Commission

/rlm  
Enclosure



**Bob & Penny Wyllie**

13605 Hunters Ridge Court  
Goshen, KY 40059  
(502) 228-0324  
E-mail penbob5@aol.com

Ms. Helen Helton  
Executive Director, Public Service Commission  
730 Shenkel Lane  
P.O. Box 615  
Frankfort, KY 40602

RECEIVED  
JUL 16 1999  
PUBLIC SERVICE  
COMMISSION

Dear Ms. Helton:

It was with great dismay that we read of the proposed 140% sewer-rate hike increase. When we chose to build a house in this area, we were told the sewer rates were approximately \$15 a month (last September). By the time we moved into our house, the rates were up almost 300% -- from \$15 to \$40. Now, less than 1 year later, we are looking at almost \$100 per month!

Not only does this impose a financial hardship on the residents of this area, it means our houses take on an additional burden as far as re-sale value is concerned. There are many subdivisions around Covered Bridge Farms which do not have such an unrealistic sewer-rate charge and those will be the desirable homes.

Please do whatever you can to fight this outrageous increase!

Thank you for listening.

Sincerely,

  
Robert E. Wyllie

  
Penny Wyllie

Obviously, your normal, every day person cannot afford this kind of increase.



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
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**Ronald B. McCloud, Secretary**  
**Public Protection and**  
**Regulation Cabinet**

**Helen Helton**  
**Executive Director**  
**Public Service Commission**

**Paul E. Patton**  
**Governor**

July 21, 1999

Mr. Sherman C. Bedford, Jr.  
President  
Covered Bridge Homeowner's Association  
4014 Fox Meadow Way  
Prospect, KY 40059

RE: Case No. 99-285  
Covered Bridge Utilities, Inc.

Dear Mr. Bedford:

The Commission has received your letter dated July 14 concerning the above case. Your letter is being treated as an official protest and will be placed in the case file. The Commission will carefully analyze this case before rendering its decision. Be advised that the effect of the rate increase cannot yet be determined as the increase originally proposed by Covered Bridge Utilities, Inc. is not necessarily what may be ordered in the Commission's final decision.

If you wish to participate in the proceeding, including any hearing that may be held, you must file a motion to intervene with the Commission. Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with Helen C. Helton, the Commission's Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you further. You may contact them at (502) 695-5453 to inquire whether there will be a representative from that office participating in this case.



AN EQUAL OPPORTUNITY EMPLOYER M/F/D

Case No. 99-285  
July 21, 1999  
Page 2

Thank you for your interest and concern in that matter.

Sincerely,

*Stephanie Bell*

Stephanie Bell  
Secretary of the Commission

/rlm  
Enclosure



AN EQUAL OPPORTUNITY EMPLOYER M/F/D

From: Sherman C. Bedford Jr.  
4014 fox Meadow Way  
Prospect, KY 40059

July 14, 1999

To: Public Service Commission  
730 Schenkel Lane  
P.O. Box 615  
Frankfurt, KY 40602

RECEIVED

JUL 16 1999

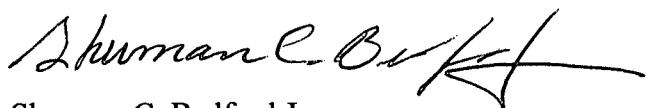
PUBLIC SERVICE  
COMMISSION

Subject: Covered Bridge Utilities Proposed Rate Increase

I'm the president of the Meadows at Covered Bridge Homeowner's Association, and on behalf of our 26 residents take exception the requested rate increase proposed by Covered Bridge Utilities. Our current rate of \$40.05 per month is already outrageous amount to pay, far and above a reasonable fee for services rendered. If anything the Commission should consider lowering the monthly fee.

Our Association's attorney Mr. Frank Simpson will be representing us in this matter. We look forward to working with you to obtain an acceptable rate.

Sincerely;



Sherman C. Bedford Jr.



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
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**Ronald B. McCloud, Secretary**  
**Public Protection and**  
**Regulation Cabinet**

**Helen Helton**  
**Executive Director**  
**Public Service Commission**

**Paul E. Patton**  
**Governor**

July 21, 1999

Mr. Gary Holden  
Ms. Kirsten Holden  
3718 Hunters Ridge Drive  
Prospect, KY 40059

RE: Case No. 99-285  
Covered Bridge Utilities, Inc.

Dear Mr. and Ms. Holden:

The Commission has received your letter dated July 14 concerning the above case. Your letter is being treated as an official protest and will be placed in the case file. The Commission will carefully analyze this case before rendering its decision. Be advised that the effect of the rate increase cannot yet be determined as the increase originally proposed by Covered Bridge Utilities, Inc. is not necessarily what may be ordered in the Commission's final decision.

If you wish to participate in the proceeding, including any hearing that may be held, you must file a motion to intervene with the Commission. Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with Helen C. Helton, the Commission's Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you further. You may contact them at (502) 695-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in that matter.

Sincerely,  
*Stephanie Bell*

Stephanie Bell  
Secretary of the Commission

/rlm  
Enclosure



Ms. Helen Helton  
Executive Director, Public Service Commission  
730 Shenkel Lane  
P.O. Box 615  
Frankfort, KY 40602

RECEIVED  
PUBLIC SERVICE  
COMMISSION  
JUL 16 1999

July 14, 1999

Dear Ms. Helton,

We are homeowners in the Hunter's Ridge subdivision of Oldham County, Kentucky. The sewer service provider here, one Covered Bridge Utilities, Inc., has recently requested from your office a 140% rate increase. If approved, this increase would raise our monthly sewer bill from \$40.05 to \$96.24. This would be the second rate increase in a year for us, who had a bill of just \$15 in October 1998.

We are writing to express our opposition to this proposed increase. It is an exorbitant and unjustifiable request. The owners of this "utility", Martin Cogan and Lawrence Smither, are presumably known to your office. They have been found in contempt of court in Franklin County, Kentucky, for non-compliance with state water-quality regulations. Covered Bridge Utilities Inc. was fined \$25,000 in March 1998 by Franklin Circuit Judge William Graham. Judge Graham agreed to waive the fine if this "utility" turned over its facilities to the Oldham County Sanitation District within 90 days. The court has since granted several extensions but no progress has occurred.

We urge you to reject the proposed increase. Cogan and Smither are trying to gouge customers in this and other subdivisions while they attempt to postpone and ultimately evade their legal obligations. We additionally ask your office to investigate this "utility" and discover if other state regulations are being violated. I am sure other homeowners agree that they and the state of Kentucky would be better served by a state-run sewer utility rather than by a private concern. Thank you for your attention to this matter. Please feel free to contact us if you need more information.

Sincerely,

Gary and Kirsten Holden  
3718 Hunters Ridge Drive  
Prospect, Kentucky 40059  
(502) 228-4033



RECEIVED

JUL 16 1999

PUBLIC SERVICE  
COMMISSION

July 14, 1999

Ms. Helen Helton  
Executive Director, Public Service Commission  
730 Shenkel Lane  
P.O. Box 615  
Frankfort, KY 40602

Dear. Ms. Helton:

Please consider this letter as notification that we are in opposition to the rate increase submitted by Covered Bridge Utilities of 136 St. Matthews Ave. Su#300, Louisville, KY 40207-3191 and would request a granting of intervention in order to give us an opportunity to review their annual reports and supporting documents for such a large increase.

We are concerned property owners that would be affected by such an increase.  
Brad and Karen Kueshner  
13507 Hunters View Court  
Prospect, KY 40059

If additional information is necessary, please contact us at 502-228-6597 or e-mail at [bkueshner@worldnet.att.net](mailto:bkueshner@worldnet.att.net).

Thank you for your consideration.

Sincerely,



Karen M. Kueshner

13507 Hunters View Court  
Prospect, KY 40059



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
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Fax (502) 564-3460

**Ronald B. McCloud, Secretary**  
**Public Protection and**  
**Regulation Cabinet**

**Helen Helton**  
**Executive Director**  
**Public Service Commission**

**Paul E. Patton**  
**Governor**

July 19, 1999

Mr. Donald Roenigk  
Ms. Susan Roenigk  
3803 Deer Lake Circle  
Prospect, KY 40059

RE: Case No. 99-285  
Covered Bridge Utilities, Inc.

Dear Mr. and Ms. Roenigk:

The Commission has received your letter dated July 7 concerning the above case. Your letter is being treated as an official protest and will be placed in the case file. The Commission will carefully analyze this case before rendering its decision. Be advised that the effect of the rate increase cannot yet be determined as the increase originally proposed by Covered Bridge Utilities is not necessarily what may be ordered in the Commission's final decision.

If you wish to participate in the proceeding, including any hearing that may be held, you must file a motion to intervene with the Commission. Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with Helen C. Helton, the Commission's Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you further. You may contact them at (502) 695-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in that matter.

Sincerely,

Stephanie Bell  
Secretary of the Commission

rlm  
Enclosure



COMMONWEALTH OF KENTUCKY  
PUBLIC SERVICE COMMISSION

Re: The Application of Covered Bridge Utilities, Inc. for an Adjustment of Rate  
Pursuant to the Alternative Rate Adjustment Procedure for Small Utility  
Case No. 99-285

RECEIVED  
JUL 15 1999  
PUBLIC SERVICE  
COMMISSION

MOTION FOR FULL INTERVENTION

Comes now C & L Builders, Inc. ("C & L Builders"), a Kentucky corporation, by counsel, and moves pursuant to 807 KAR 5:076 that it be granted leave to intervene in the above-styled case and application by Covered Bridge Utilities, Inc. ("Covered Bridge"). C & L Builders desires to fully participate in this matter at all appropriate stages of review and hearing, if necessary, and therefore moves that it be granted the status and rights of full intervention.

Further, C & L Builders states as follows:

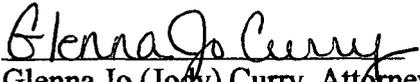
1. Counsel for C & L Builders is: Glenna Jo (Jody) Curry, Attorney, 1900 E. Mt. Zion Road, Crestwood, Kentucky 40014; Phone (502) 222-7049; Facsimile (502) 222-7049.
2. C & L Builders is located in Oldham County, Kentucky and the mailing address of its agent is 11829 Lakestone Way, Prospect, Kentucky 40059.
3. C & L Builders is the developer of Hunters Ridge, in Oldham County, Kentucky. The proposed sewer rate increase that is the subject of Case No. 99-285 is for the Hunters Ridge Subdivision.
4. C & L Builders currently owns five model homes in Hunters Ridge Subdivision and is paying a sewer bill for these homes. One home is occupied by a Superintendent employed by C & L Builders and the sewer bill is being paid for that home.
5. C & L Builders has a contingent sales contract for the sale of one completed home in Hunters Ridge. The sale is now jeopardized by the proposed sewer

rate increase. C & L Builders own twenty lots in Hunters Ridge and believes the proposed sewer rate increase will jeopardize further sales of the lots and homes.

6. The current filing by Covered Bridge proposes a significant increase in sewer rates charged to customers in Hunters Ridge. Therefore, C & L Builders has a special interest which is not otherwise adequately represented and which entitles it to be made a party to this matter.

WHEREFORE, C & L Builders respectfully requests that it be granted full intervention in Kentucky Public Service Commission, Case No. 99-285.

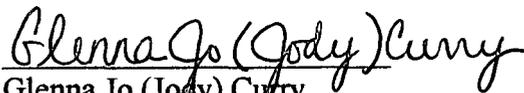
Respectfully submitted,

  
Glenna Jo (Jody) Curry, Attorney  
1900 E. Mt. Zion Road  
Crestwood, Kentucky 40014  
502-222-7049  
Fax: 502-222-7049

Counsel for C & L Builders, Inc.

Certificate of Service

I hereby certify that a true and accurate copy of the foregoing was mailed, first class, postage prepaid, to Covered Bridge Utilities, Inc., 136 St. Matthews Ave., Suite #300, Louisville, Kentucky 40207-3191, this 15th day of June, 1999.

  
Glenna Jo (Jody) Curry

99-285

RECEIVED  
JUL 13 1999  
PUBLIC SERVICE  
COMMISSION

To: Public Service Commission  
From: Donald and Susan Roenigk  
Date: July 7, 1999  
Subject: Covered Bridge Utilities inc. proposed sewer rate increases

We live in the Covered Bridge Subdivision. Our home and property is within thirty feet of the existing waste treatment ( this is closer than the laws requires, but this company continues to find ways around the laws of the Commonwealth of Kentucky). I would like to challenge the Public Service Commission to look at the history of this organization. They have had a ten year track record of changing owners, poor inspections reports, and consumer complaints on the overall smell and sights of their location.

Our subdivision has been forced to go to court and try to defend the homeowners rights in this community. We have taken them to court, the state Attorney has taken them to court, and the State environmental officials have taken them to court to no evil. We have spent literally over ten thousand dollars to force Covered Bridge Utilities to follow waste treatment regulations set forth by the state law makers. Please look at the court mandated judgments set forth by both local and state courts. They agreed four years ago to fill in the old style treatment pond - still not started. They failed to get permits to start expansion- only receiving fines, still not paid. They have failed fifty percent of their water tests over the past eight years - yet they need more money to continue to break the law. The State required Covered Bridge Utilities to pay a fifty thousand dollar fine or turn the facility over to the Oldham County Authorities - fine unpaid and now they want a rate increase?

This is a company that has not shown their true " books". Covered Bridge Utilities have added several new subdivisions to their current plant which should increase their efficiency, yet their cost have run OUT OF CONTROL. In October 1998, the homeowners were paying \$14.50 per month. They proposed a 341.38% increase and received a 276.28% increase to \$40.06 per month effective November 1998. Now only a few months after being granted that increase, they need another 140.30% increase over the already large increase given. This would mean the sewer rates, in just over one year, would have changed from the \$14.50 per month to \$96.24 per month. that would mean that the bill increased 6.64 times the past rates.

Enough is enough, this company has not proven to the citizens of this state that they can be trusted to run a proper treatment center, to control expenses or to obey the laws and judgments against them. Please protect the Homeowner of this community and the investments they have made in their homes. I would like to motion Covered Bridge Utilities rate increase to be denied.

Sincerely:  
*Donald Roenigk*  
*Susan Roenigk*  
Donald and Susan Roenigk  
3803 Deer Lake Circle  
Prospect KY 40059  
502-228-2998

**HAZELRIGG AND COX**

ATTORNEYS AT LAW

415 WEST MAIN STREET

P.O. Box 676

FRANKFORT, KENTUCKY 40602-0676

WILLIAM P. CURLIN, JR.  
JOHN B. BAUGHMAN  
ROBERT C. MOORE  
HOLLAND B. SPADE

DYRE L. HAZELRIGG (1881-1970)  
LOUIS COX (1907-1971)

FAX: (502) 875-7158  
TELEPHONE: (502) 227-2271

July 13, 1999

Stephanie Bell  
Secretary of the Public Service Commission  
730 Schenkel Lane  
P.O. Box 615  
Frankfort, Kentucky 40602

RECEIVED  
JUL 13 1999  
PUBLIC SERVICE  
COMMISSION

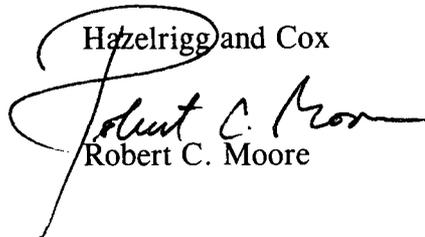
Re: Application for Rate Adjustment-Covered Bridge Utilities, Inc.  
Case No. 99-285

Dear Ms. Bell:

Please find enclosed supplemental information for filing in the above referenced case.  
Please feel free to call me if you have any questions concerning this matter.

Sincerely,

Hazelrigg and Cox

  
Robert C. Moore

cc: Marty Cogan

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

COVERED BRIDGE UTILITIES, INC.- RATE ADJUSTMENT ) 99-285

FILING OF SUPPLEMENTAL INFORMATION

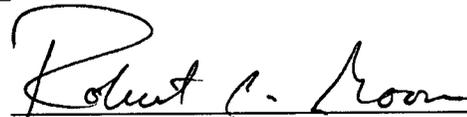
Comes Covered Bridge Utilities, Inc. ("Covered Bridge"), by counsel, and hereby files  
the attached supplemental information.



Robert C. Moore  
Hazelrigg and Cox  
P.O. Box 676  
415 West Main Street  
Frankfort, Kentucky 40602-0676  
Attorney for Covered Bridge Utilities, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by first class  
mail, postage prepaid, on Richard Raff, Public Service Commission, 730 Schenkel Lane, P.O.  
Box 615, Frankfort, Kentucky 40602 on this 13<sup>th</sup> day of July, 1999.



Robert C. Moore

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for this rate revision is the one filed with the Commission for the 12 months ending December 31, 1998.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

| <u>Item Per</u><br><u>Annual Report</u> | <u>Amount Per</u><br><u>Annual Report</u> | <u>Increase</u><br><u>(Decrease)</u> | <u>Adjusted</u><br><u>Amount</u> |
|---|---|--------------------------------------|----------------------------------|
| <u>Revenue</u>                          | \$ 39,593 <sup>1</sup>                    | \$166,399 <sup>2</sup>               | \$205,992 <sup>3</sup>           |
| <br>                                    |   |                                      |                                  |
| Total Revenue                           | <u>\$ 39,593</u>                          | <u>\$166,399</u>                     | <u>\$205,992</u>                 |
| <br>                                    |   |                                      |                                  |
| <u>Expense</u>                          |   |                                      |                                  |

SCHEDULE ATTACHED

|                         |                    |                  |                  |
|-------------------------|--------------------|------------------|------------------|
| Total Expense           | <u>\$ 87,523</u>   | <u>\$ 96,831</u> | <u>\$184,354</u> |
| <br>                    |                    |                  |                  |
| Revenue Less<br>Expense | <u>\$ (47,930)</u> | <u>\$ 69,568</u> | <u>\$ 21,638</u> |

1. This \$39,593 includes revenue generated by the \$14.50 rate in place prior to October 1, 1998 and the \$40.06 rate approved by the Public Service Commission which was implemented on October 1, 1998.
2. The increase in revenue is to be generated from the proposed residential rate of \$96.24 and the commercial rate of \$3500.00 charged to Hayfield Utilities, Inc. (See page 3, Section II (1)(c)).

-2-

- a. The adjusted revenue is determined by adding the amount to be generated by the proposed residential rate (\$163,992.96) and the proposed commercial rate (\$42,000).

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

SCHEDULE ATTACHED

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

| <u>Customer Class</u>                                    | <u>Present Rates</u> | <u>Proposed Rates</u> | <u>Percent Increase</u> |
|--|----------------------|-----------------------|-------------------------|
| Residential  | 40.05                | 96.24                 | 140.30%                 |
| <sup>1</sup> Commercial<br>(Hayfield<br>Utilities, Inc.) | 3500.00              | 3500.00               | 0.00%                   |

1. The commercial rate has been implemented, but remains subject to the approval of the Public Service Commission.

T Horneffer  
Senior Vice President

Bank One, Kentucky  
P O Box 32500  
Louisville KY 40232 2500

99-285  
Tel 502 566 1974  
Fax 502 566 3616



RECEIVED

JUL - 7 1999

PUBLIC SERVICE  
COMMISSION

July 6, 1999

Public Service Commission  
730 Schankel Lane  
P. O. Box 615  
Frankfort, KY 40602

Re: Proposed Sewer Rate Increase of Covered Bridge Utilities, Inc. ("CBUI")

Dear Madam/Sir:

As a customer of CBUI, I may want to intervene in their motion for a 140.30% rate increase as described in the attached notice letter which I received July 1, 1999. Today, I requested copies of CBUI's application, supporting documents and annual reports -- a copy of that letter is also attached. Please notify me about any scheduled hearing or ruling related to this rate increase request.

Thank you.

Sincerely,

Fred T. Horneffer

Attachments - (2)

Rec'd 7/01/99

Covered Bridge Utilities, Inc.  
136 St. Matthews Ave. Su #300  
Louisville, KY 40207-3191

Ph # 899-5051 & 899-1950

To Customers:

Covered Bridge Utilities, Inc. is filing a sewer rate review petition with the KY Public Service Commission. The existing and the new proposed sewer rates are as follows.

| Existing | Proposed | Percent Increase |
|----------|----------|------------------|
| 40.05    | 96.24    | 140.30%          |

The rates contained in this notice are the rates proposed by Covered Bridge Utilities, Inc. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates included in this notice.

Intervention:

Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate changes is given.

The motion shall be submitted to the Public Service Commission, 730 Schenkel Lane, P. O. Box 615, Frankfort, Kentucky, 40602, and shall set forth the grounds for the request including the status and interest of the party.

Upon request from an intervenor, whose request for intervention has been granted, a copy of the application with supporting documents and annual reports will be provided. Apply in writing to Covered Bridge Utilities, Inc., 136 St. Matthews Ave. Suite #300, Louisville, KY 40207.

Covered Bridge Utilities, Inc.

Fred T. Horneffer  
Senior Vice President

Bank One, Kentucky  
P O Box 32500  
Louisville KY 40232 2500

Tel 502 566 1974  
Fax 502 566 3616



July 6, 1999

Covered Bridge Utilities, Inc.  
136 St. Matthews Avenue, Suite #300  
Louisville, KY 40207

Re: Proposed Sewer Rate Increase

Dear Madam/Sir:

I am a customer of Covered Bridge Utilities, Inc., and I received a notice of your proposed sewer rate increase. Please send me copies of your application with supporting documents and your annual reports. I have also notified the Public Service Commission of my interest in this matter (copy attached).

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred T. Horneffer", written over a horizontal line.

Fred T. Horneffer

cc: Public Service Commission  
730 Schankel Lane  
P. O. Box 615  
Frankfort, KY 40602



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602  
www.psc.state.ky.us  
(502) 564-3940  
Fax (502) 564-3460

**Ronald B. McCloud, Secretary**  
**Public Protection and**  
**Regulation Cabinet**

**Helen Helton**  
**Executive Director**  
**Public Service Commission**

**Paul E. Patton**  
**Governor**

July 13, 1999

Dr. Paul J. Arena  
12001 Chorlurk Court  
Prospect, KY 40059

RE: Case No. 99-285  
Covered Bridge Utilities, Inc.

Dear Dr. Arena:

The Commission has received your letter dated July 2 concerning the above case. Your letter is being treated as an official protest and will be placed in the case file. The Commission will carefully analyze this case before rendering its decision. Be advised that the effect of the rate increase cannot yet be determined as the increase originally proposed by Covered Bridge Utilities is not necessarily what may be ordered in the Commission's final decision.

If you wish to participate in the proceeding, including any hearing that may be held, you must file a motion to intervene with the Commission. Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with Helen C. Helton, the Commission's Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you further. You may contact them at (502) 695-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in that matter.

Sincerely,  
*Stephanie Bell*

Stephanie Bell  
Secretary of the Commission

rlm  
Enclosure



~~99-079~~ 99-285

PAUL J. ARENA, P. S. C.  
PAUL J. ARENA, M.D., F.A.C.P.  
INTERNAL MEDICINE AND ONCOLOGY  
313 SUBURBAN MEDICAL PLAZA II  
3991 DUTCHMANS LANE  
LOUISVILLE, KENTUCKY 40207

(502) 897-0228  
FAX (502) 896-2558

7-2-99

RECEIVED  
JUL - 6 1999  
PUBLIC SERVICE  
COMMISSION

To:  
Pub. SVC. Commission:  
Frank Fort, Ky 40602

Service Address:  
ARENA  
12001 CHARLOCK CT.  
Prospect, Ky 40059

Subject:  
Proposed Sewer Rate  
Increase By Covered  
Bridge Utilities, Finc

Objection: I am a Prospect (home owner) serviced by the utility.

(A) Rate increase proposal from 40.05 → to 96.24 (Fixed Rate)

Represents 2nd (second) rate hike proposal within  
one calendar year?

(B) Orig rate was 14.5 (month/Fixed) - with  
unannounced rate hike to 40.05 within last  
6 months; and proposed rate hike to 96.24  
represents a 564% rate increase in less  
than one year?

(C) A newspaper article revealed that a class action  
suite was/is in progress against utility.

Recommendation: such increase is inordinate and unfair -  
I feel the utility should have rates reduced to rates  
below the 40.05 figure.

*[Signature]*  
ENCLOSURE →

Covered Bridge Utilities, Inc.  
136 St. Matthews Ave. Su #300  
Louisville, KY 40207-3191

Ph # 899-5051 & 899-1950

To Customers:

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Covered Bridge Utilities, Inc.



File copy



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**

730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

July 9, 1999

Martin G. Cogan  
Covered Bridge Utilities, Inc.  
136 St. Matthews Avenue, Suite 300  
Louisville, KY. 40207

Honorable Robert C. Moore  
Attorney at Law  
Hazelrigg and Cox  
415 West Main Street  
P. O. Box 676  
Frankfort, KY. 40602 0676

RE: Case No. 99-285  
COVERED BRIDGE UTILITIES, INC.

The Commission staff has reviewed your application in the above case and finds that it meets the minimum filing requirements. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell  
Secretary of the Commission

SB  
Enclosure

HAZELRIGG AND COX  
ATTORNEYS AT LAW  
415 WEST MAIN STREET  
P.O. Box 676  
FRANKFORT, KENTUCKY 40602-0676

WILLIAM P. CURLIN, JR.  
JOHN B. BAUGHMAN  
ROBERT C. MOORE  
HOLLAND B. SPADE

DYKE L. HAZELRIGG (1881-1970)  
LOUIS COX (1907-1971)

FAX: (502) 875-7158  
TELEPHONE: (502) 227-2271

**FILED**

JUN 30 1999

June 30, 1999

**PUBLIC SERVICE  
COMMISSION**

**RECEIVED**

JUN 30 1999

**PUBLIC SERVICE  
COMMISSION**

Public Service Commission  
730 Schenkel Lane  
PO Box 615  
Frankfort, Kentucky 40602

*CASE 99-285*

RE: Application for Rate Adjustment - Covered Bridge Utilities, Inc.

Gentlemen:

Enclosed please find the original and ten (10) copies of the above referenced application for rate adjustment.

Please contact the undersigned if any additional information is needed.

Very truly yours,

HAZELRIGG & COX

*Robert C. Moore by J. B. Baughman*  
Robert C. Moore

/mls  
enclosures



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**

730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

July 2, 1999

Martin G. Cogan  
Covered Bridge Utilities, Inc.  
136 St. Matthews Avenue, Suite 300  
Louisville, KY. 40207

Honorable Robert C. Moore  
Attorney at Law  
Hazelrigg and Cox  
415 West Main Street  
P. O. Box 676  
Frankfort, KY. 40602 0676

RE: Case No. 99-285  
COVERED BRIDGE UTILITIES, INC.  
(Rates - ARF)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received June 30, 1999 and has been assigned Case No. 99-285. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

Stephanie Bell  
Secretary of the Commission

SB/jc

**HAZELRIGG AND COX**  
ATTORNEYS AT LAW  
415 WEST MAIN STREET  
P.O. Box 676  
FRANKFORT, KENTUCKY 40602-0676

WILLIAM P. CURLIN, JR.  
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LOUIS COX (1907-1971)

FAX: (502) 875-7158  
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**FILED**

JUN 30 1999

June 30, 1999

**PUBLIC SERVICE  
COMMISSION**

**RECEIVED**

JUN 30 1999

**PUBLIC SERVICE  
COMMISSION**

Public Service Commission  
730 Schenkel Lane  
PO Box 615  
Frankfort, Kentucky 40602

*CASE 99-285*

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Please contact the undersigned if any additional information is needed.

Very truly yours,

HAZELRIGG & COX

*Robert C. Moore by J. B. Spade*  
Robert C. Moore

/mls  
enclosures

APPLICATION FOR RATE ADJUSTMENT  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

For Small Utilities  
Pursuant to 807 KAR 5:076  
(Alternative Rate Filing)

RECEIVED

JUN 30 1999

PUBLIC SERVICE  
COMMISSION

CASE 99-285

Covered Bridge Utilities, Inc.  
Name of Utility

136 St. Matthews Avenue, Suite 300  
Louisville, KY 40207

Business Mailing Address

Telephone Number 502/ 899-1950

Area Code Number

I. Basic Information

NAME, TITLE, ADDRESS and telephone number of the person to whom  
correspondence or communications concerning this application should be directed:

NAME: Martin G. Cogan

Address: 136 St. Matthews Avenue, Suite 300

Louisville, KY 40207

Telephone Number: 502/ 899-1950

- 1) Do you have less than 500 customers? Yes
- 2) Do you have less than \$300,000 in Gross Annual Revenue? Yes
- 3) Has the utility filed an annual report with this Commission for the past year and the two previous years? Yes
- 4) Are the utility's records kept separate from any other commonly-owned enterprise? Yes

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

## II. Increased Cost Information

- (1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for this rate revision is the one filed with the Commission for the 12 months ending December 31, 1998.
- a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

| <u>Item Per</u><br><u>Annual Report</u> | <u>Amount Per</u><br><u>Annual Report</u> | <u>Increase</u><br><u>(Decrease)</u> | <u>Adjusted</u><br><u>Amount</u> |
|---|---|--------------------------------------|----------------------------------|
| <u>Revenue</u>                          | \$ 39,593                                 | \$166,399                            | \$205,992                        |
| <br>                                    |   |                                      |                                  |
| Total Revenue                           | <u>\$ 39,593</u>                          | <u>\$166,399</u>                     | <u>\$205,992</u>                 |
| <br>                                    |   |                                      |                                  |
| <u>Expense</u>                          |   |                                      |                                  |

### SCHEDULE ATTACHED

|                         |                    |                  |                   |
|-------------------------|--------------------|------------------|-------------------|
| Total Expense           | \$ <u>87,523</u>   | \$ <u>96,831</u> | \$ <u>184,354</u> |
| <br>                    |                    |                  |                   |
| Revenue Less<br>Expense | \$ <u>(47,930)</u> | \$ <u>69,568</u> | \$ <u>21,638</u>  |

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

SCHEDULE ATTACHED

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

| <u>Customer Class</u> | <u>Present Rates</u> | <u>Proposed Rates</u> | <u>Percent Increase</u> |
|-----------------------|----------------------|-----------------------|-------------------------|
| Residential           | 40.05                | 96.24                 | 140.30%                 |

III. Other Information

a. Please complete the following questions:

- 1) Please describe any events or occurrences which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

SCHEDULE ATTACHED

2) Total number of customers  
as of the date of filing: 142

3) Total amount of increased revenue requested: \$ 95,747

4) Please circle Yes or No:

a) Does the utility have outstanding  
indebtedness? Yes  XX

b) Were all revenues and expenses  
listed in the Annual Report for 1998  
incurred and collected from January 1  
to December 31 of that year? Yes  XX

If no, list total revenue and total expense incurred  
prior to or subsequent to this period and attach  
invoices or other analysis which show how amounts  
were arrived at.

- 5) If utility expenses depreciation, attach a copy of the depreciation schedule of utility plant in service.
- 6) If utility is a sewer utility:
  - a) Attach a copy of the latest State and Federal Income Tax Returns.
  - b) How much of the utility plant was recovered through the sale of lots or other contributions  
100 \$ or %?  
(If unknown, state the reason.)

- b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).
  1. Increased operating expenses as detailed in Part II 1 (a) and (b).
  2. Capital expenditures required per attached schedule.

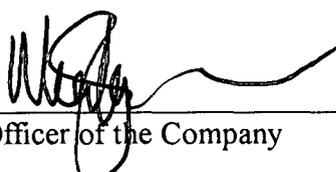
V. General Information/Customer Notice

- 1) Filing Requirements:
  - a. An original and 10 copies of the completed Application should be sent to:

Executive Director  
Kentucky Public Service Commission  
730 Schenkel Lane  
P. O. Box 615  
Frankfort, Kentucky 40602  
Telephone: 502/564-3940
  - b. One copy of the completed Application should also be sent at the same time to:

Public Service Litigation Branch  
Office of the Attorney General  
P. O. Box 2000  
Frankfort, Kentucky 40602
- 2) All correspondence and responses to supplemental information should also be sent to this address.
- 3) A copy of the customer notice must be filed with this Application. Proper notice must comply with Sections 3 and 4 of this regulation.
- 4) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502/564-7167.
- 5) I have read and completed this Application and to the best of my knowledge all the information contained in this Application is true and correct.

Signed: \_\_\_\_\_

  
Officer of the Company

Title: \_\_\_\_\_

V.P.

Date: \_\_\_\_\_

6/23/99

NAME OF UTILITY: COVERED BRIDGE UTILITIES, INC.  
 INCREASED COST INFORMATION

| EXPENSE                          | AMOUNT PER ANNUAL REPORT | INCREASE (DECREASE) | ADJUSTED AMOUNT  |
|----------------------------------|--------------------------|---------------------|------------------|
| Management Fee                   | \$3,600                  |                     | \$3,600          |
| Sludge Hauling                   | 5,088                    | 12,407              | 17,495           |
| Utility Service - Water Cost     | 4,784                    | 2,116               | 6,900            |
| Other - Labor                    | 8,800                    | (480)               | 8,320            |
| Fuel and Power                   | 5,957                    | 8,443               | 14,400           |
| Chemicals                        | 4,228                    | 2,412               | 6,640            |
| Routine Maintenance Fee          | 7,750                    | 1,250               | 9,000            |
| Maintenance of Collection System |                          | 1,000               | 1,000            |
| Maintenance of Treatment Plant   | 14,527                   | 6,333               | 20,860           |
| Maintenance of Other Facilities  | 4,428                    | (3,388)             | 1,040            |
| Agency Collection Fee            | 858                      |                     | 858              |
| Office Supplies                  |                          | 1,800               | 1,800            |
| Outside Services Employed        | 14,015                   |                     | 14,015           |
| Insurance Expense                | 1,751                    | (665)               | 1,086            |
| Regulatory Commission Expense    | 12                       | (12)                | 0                |
| Transportation Expenses          | 2,300                    |                     | 2,300            |
| Miscellaneous Expenses           | 1,926                    |                     | 1,926            |
| Rents                            | 1,200                    |                     | 1,200            |
| Depreciation                     | 4,620                    | 17,388              | 22,008           |
| Amortization                     | 150                      | 567                 | 717              |
| Taxes Other Than Income Taxes    | 115                      |                     | 115              |
| Income Taxes                     |                          | 2,400               | 2,400            |
| Interest Expense                 | 1,418                    | 24,256              | 25,674           |
| Interest Income                  | (4)                      | 4                   | 0                |
| Extraordinary Expense            |                          | 21,000              | 21,000           |
| <b>TOTAL EXPENSE</b>             | <b>\$87,523</b>          | <b>\$96,831</b>     | <b>\$184,354</b> |

K:\MS WORKS\COGANICI.WKS

Covered Bridge Utilities, Inc.  
Capital Expenditures Required

The adjusted expenses requested in this application for rate adjustment are based on the Public Service Commission also approving the installation of a computer and fax system costing \$6,600 to be depreciated over 5 years.

Without this equipment the adjusted expenses requested would be higher.

c:cov2.wps

Covered Bridge Utilities, Inc.  
136 St. Matthews Ave., Suite 300  
Louisville, KY 40207-3191

Fixed Asset Depreciation Schedule

| Date Acquired | Description     | Cost      | 12/31/97 Accumulated Depreciation | 1998 Depreciation | 12/31/98 Accumulated Depreciation | 1999 Depreciation |
|---------------|-----------------|-----------|-----------------------------------|-------------------|-----------------------------------|-------------------|
| 1989          | Treatment Plant | \$15,000  | \$11,847                          | \$983             | \$12,830                          | \$983             |
| 1998          | Treatment Plant | \$290,977 | \$0                               | \$3,637           | \$3,637                           | \$19,398          |
| 1998          | Grinder         | \$1,339   | \$0                               | \$0               | \$0                               | \$268             |
| 1998          | New Service     | \$787     | \$0                               | \$0               | \$0                               | \$39              |
| 1999          | Computer/Fax    | \$6,600   | \$0                               | \$0               | \$0                               | \$1,320           |
| <b>TOTAL</b>  |                 |           |                                   |                   |                                   | <b>\$22,008</b>   |

Covered Bridge Utilities, Inc.  
Schedule of Increased Cost Information

1. SLUDGE HAULING - KPDES ordered DMR testing has shown an increase in the effluent BOD levels in the plant discharge. The sludge levels in the plant need to be lowered in order to maintain the proper effluent BOD levels and to reduce possibility of solids loss from the plant during high flow periods. An average of 17,000 gallons per month (\$85.76 per 1,000 gallons) will be required to reduce the sludge levels in the plant.
2. UTILITY SERVICE - WATER COST - Gas chlorination and dechlorination have been put into service replacing an old tablet feed system and to meet the requirements of the KPDES permit. The devices cause a large increase in water usage to draw a vacuum across the gas injectors. The bi-monthly water bill is expected to average \$1,150 (\$6,900 per year).
3. OTHER - LABOR - The KPDES permit requires testing of the plant effluent weekly at a cost of \$160 per week (\$8,320 per year).
4. FUEL AND POWER - The expected average monthly electric bill is \$1,200 (\$14,400 per year). The increase is due to the new treatment plant being placed in service October 1, 1998, and increased usage of the main pump station.
5. CHEMICALS - In addition to chemicals necessary to chlorinate and dechlorinate the effluent, odor control has been added to the Covered Bridge pump station in response to customer complaints at a cost of \$201 per month.
6. ROUTINE MAINTENANCE - The monthly maintenance fee of \$500 was the amount being charged for the existing 40,000 gallon treatment plant that remains in operation. A new 100,000 gallon treatment plant has now been put into service that operates independently of the 40,000 gallon plant. The monthly maintenance fee has been increased to \$750 (\$9,000 per year).
7. MAINTENANCE OF COLLECTION SYSTEM- The plant will be charged \$2,000 for a bi-annual inspection for infiltration starting in 1999.
8. MAINTENANCE OF TREATMENT PLANT - The increase is based on current average monthly repairs of \$1,738.
9. MAINTENANCE OF OTHER FACILITIES - This expense has been adjusted to the amount allowed in the previous rate case.
10. OFFICE SUPPLIES - To properly service the plant and its customers, telephone lines need to be installed at the office and the plant at an annual cost of \$1,800 (\$150 per month).

11. INSURANCE EXPENSE - Insurance expense consists of amounts allowed in the previous rate case as follows:

|           |            |
|-----------|------------|
| Liability | \$ 736     |
| Bond      | <u>350</u> |
|           | \$1,086    |

12. REGULATORY COMMISSION EXPENSE - This expense has been adjusted to the amount allowed in the previous rate case.

13. DEPRECIATION - The increase is based on depreciating the new treatment plant placed in service October 1, 1998, depreciating requested capital expenditures, and depreciating items capitalized by Public Service Commission in previous rate case as detailed on fixed asset depreciation schedule.

14. AMORTIZATION - Amortization expense is computed as follows:

|                     | <u>TOTAL</u> | <u>ANNUAL</u> |
|---------------------|--------------|---------------|
| Previous rate case  | \$1,500      | \$300         |
| Current rate case   | 1,500        | 300           |
| Sludge analysis fee | 585          | <u>117</u>    |
|                     |              | \$717         |

15. INCOME TAXES - Income taxes are based on a Federal rate of 15% and a Kentucky rate of 4%.

16. INTEREST EXPENSE - Interest expense is computed as follows:

|                    | <u>PRINCIPAL</u> | <u>RATE</u> | <u>INTEREST</u> |
|--------------------|------------------|-------------|-----------------|
| National City Bank | \$ 60,000        | 7.75%       | \$ 4,650        |
| LMK                | 290,977          | 8.00%       | <u>21,024</u>   |
|                    |                  |             | \$25,674        |

17. INTEREST INCOME - This income has been eliminated as there are no interest-bearing accounts owned by the utility.

18. EXTRAORDINARY EXPENSE - The tertiary lagoon has been taken out of service and replaced with mechanical tertiary. The Division of Water and Franklin Circuit Court have mandated that the accumulated sludge remaining be pumped out and properly disposed of and that the old lagoon be filled. The estimated sludge to be disposed of is 30 loads at \$700 per load (\$21,000).

Covered Bridge Utilities, Inc.  
136 St. Matthews Ave. Su #300  
Louisville, KY 40207-3191

Ph # 899-5051 & 899-1950

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